EUROPEAN NEWS DIGEST

EU law rings

telecoms change

Legislation forcing European Union governments to allow full competition in the telecoms sector by January 1 1998 has been finally adopted by the Commission. The law, designed to modernise the EU's telecoms industry and bring down prices, covers basic voice telephony as well as infrastructure. Falso, orders governments to allow alternative patrons.

orders governments to allow alternative network providers such as road, rail and energy operators - to carry telecoms services by July, in competition with the largely state-owned telecoms monopolies still dominant in member states.

The Commission said that underpinning the law was the

regulatory safeguards, would enhance universal service.

Member states have until July next year to tell the

Commission how they intend to ensure all citizens, even those

recognition that competition, together with the right

Eurosceptics told to direct wrath home

Eurosceptics in the UI. Germany and France were ys-terday urged to redirect thir wrath against Brussels to national governments, the guilty parties when it come to

Industry Commissione Mr Martin Bangemann said : was member states and no the Commission that churnd out worthless and superflucts reg-- the UK arl Germany being the join worst offenders.

Slovenia approves landmark debt deal

By Keyn Done in london

The Sovenian parliament has approved a landmark deal betwen the government and the Jondon Club of 400 commerial banks over the share of brmer Yugoslava's foreign delt to be shouldared by Slo-

slovenia becomes the first of the former Yugoslav states to finalise an agreement with its fereign creditors, and the deal could set a precedent for the banks' separate negotiations with Croatia and Macedonia and ultimately with Bosnia and rump Yugoslavia (Serbia and Montenegro).

The parliament's backing removes the last significant obstacle to Slovenia, the most developed of the six former Yugoslav republics, building an independent presence in the international capital markets.

It is planning to launch its maiden issue in the Eurobond market later this year and is currently seeking its first investment grade rating for new debt from the leading international rating agencies.

Slovenia, which became independent in 1991, has been working for five years to extricate itself from the problems of the debts amassed by former Yugoslavia and to create an independent country risk assessment to allow Slovenian entities normal access to the international financial mar-

Under the deal, Slovenia is former Yugoslavia to the commercial banks, which totalled \$5.58bn at mid-January exchange rates including prin-

cipal (\$4.4bn) and interest. The debt arises from the so-called New Financing Agreement (NFA) reached in 1988 with the London Club, the last debt restructuring deal made by Belgrade before the break-up of Yugoslavia in 1991.

In return for taking on 18 per cent of this debt Slovenia will be released from the onerous "joint and several liability" clause included in the 1988 agreement, allowing it to sever its final links with the debts of former Yugoslavia.

Slovenia is issuing \$822m of covernment bonds in exchange for its share of the NFA debt with the same conditions as in the 1988 NFA agreement. namely maturity in 2006 and an interest rate of Libor plus 🖁 denominated in D-Marks and US dollars, will be issued before the end of June and will he listed on the Luxembourg

stock exchange. Excluded from the deal with the commercial banks are NFA creditors from rump Yugoslavia, with which Slovenia is still in dispute over its claim for a share of the assets of former Yugoslavia.

THE FINANCIAL TIMES
Published by The Financial Times (Europe)
Gmb/H. Nibelimgenplatz 3, 60318 Frankfurt am Main, Germany Telephone +-49
60 156 480, Fax +-49 60 480 4818 Represented in Frankfurt by J Walter Brand,
Wilhelm J Bröxel, Cehn A Kermand as
Geschaltsführer und in London by David
C.M. Bell, Charman, and Alan C Miller.
Deputy Chairman, Shareholders of the
Financial Time: (Europe) Link London and
FT (Germany Advertising) Ltd, London
Shareholder of the above mentioned two
companies in The Financial Time lamited,
Number One Southwark Bridge, London
SEI 9HL
GERMAN);

SEI OHL
GERMAN):
Responsible for Advertising Colin A. Kennard
Printer: Hürriyet International
GmbH. Admiral-Responsible Safter, 1932
63203 Neu-Isenburg ISSN 0174-7363
Responsible Entirer Reshard Lambon. 43
The Financial Times Lundred, Number One
Southwark Bridge, London SEI 9HL
FRANCE FRANCE:

FRANCE: Publishing Director: P. Maravigha, 42 Rue La Buerte, 7508 PARIS, Telaphone (01) 5376-5254, Fax (01) 5376-5253. Printer, S. A. Nord Eclair, 1527 Rue de Carre, F-59100 Routeán Cedex 1 Editor Richard Lumbert 155N 1148-2753. Commission Parisare No 67805D.

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regulations imposed on prod-ucts revealed a "cascade of national technical regulations" in areas the Commission was happy to leave alone. For example, Britain - the most vociferous in calling for simplification of regulation - is the only member state that wants to regulate the production of

pens and pencils. "I would urge our UK col-

leagues to look at the figures," said a triumphant Mr Bangemann. "It is going to turn their In 35 years, said Mr Bange-mann, the European Commission was responsible for 415 directives. This compares with 1,136 national regulations produced by member states between 1992 and 1994.

Of these, 21 per cent were produced by the UK and 21 per cent by Germany. These two countries, together with France, the Netherlands and Denmark, produced between them over 75 per cent of the draft regulations notified to the Commission as part of its monitoring of the single mar-

ket. Such zealousness is often unnecessary, says the Commiscosts on producers.
"In order to be entitled to

place his products on the internal market, the producer should only have to comply with the simplest, most uniform and most transparent legal and technical obligations that are compatible with the protection of the public interest," it says in a report looking at national regulations affecting products in the internal

Britain wants to introduce national regulation on pens an pencils banning specific poisonous substances, rather than allowing them to be covered by general product safety regulations. Its plan has to be notified to other member states who may object that such a regulation would undermine the free movement of goods within the single market. If there are no objections, Britain can go ahead. Above all, the Commission does not want national regulations to

obstruct the single market.

Another example is cots. fied that cots should simply have to meet general product culate freely within the internal market. But France and the Netherlands felt extra legislation was needed.

Mr Mario Monti, the single market commissioner, is pre-paring to examine ways of simplifying regulation in sectors where most complaints have been registered. These include ucts, and public procurer

Dutch compromise on takeovers

in the remotest areas, will have access to a telephone after

The Dutch government has reached a compromise with the financial community on proposed legislation regulating hostile takeovers. Under the bill, to be sent to parliament in autumn, the companies section of an Amsterdam court would be empowered to order a target company to dismantle its takeover defences if the predator's plans for the company were

Under an earlier proposal put forward by the Amsterdam stock exchange and a lobby group for Dutch companies, the vetting would have been done by an independent takeover panel. This was rejected as unnecessary by Mr Gerrit Zalm, finance minister, who is responsible for financial markets. Mr Zalm said in a letter to parliament yesterday that a hostile bidder would first have to amass 70 per cent of a

company's shares before resorting to legal action. This is unchanged from previous proposals. But the bill would require the predator to wait only 12 months before going to court, rather than 18 months as suggested by the financial community in May.

The Netherlands has never seen a big, successful hostile bid, mainly because companies have several layers of defence. The most common of these is a swift issue of ordinary issues to a friendly institution, thereby diluting the voting power of the hostile bidder.

Ronald van de Krol, Amsterdam

Polish TV chief to quit

The president of Poland's public talevision - long accused by the ruling former communist Democratic Left Alliance of being politically blased - said yesterday he was resigning to avoid being reduced to a mere figurehead. "The role of a figurehead is unacceptable to me," Mr Wieslaw Walendziak said. His resignation is to be considered by Telewizja Polska's

Mr Walendziak's move was prompted by changes in the television's council, which deprived his supporters of a majority and led to decisions being overruled. Mr Walendziak who was appointed two years ago and was the first president of public television after a re-organisation partly designed to safeguard its independence, brought in hard-hitting but youthful journalists. They were dubbed Pampers because of their youth by resentful veterans of the pre-1989 ominated television service.

Union chief survives challenge

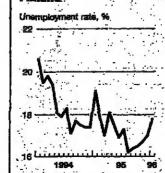
Mr Marc Blondel, one of the principal leaders of last December's big French public sector strikes, yesterday fought off a challenge to his leadership of the Force Ouvrière from a moderate, Mr Jacques Mairé. He had accused Mr Blondel of being under the sway of Trotskyists and bringing the union federation into disrepute with his extremism.

union during December's strikes was designed to resubmerge the FO in the CGT, from which it split in the late

next year, up from an expected 2-3 per cent increase in GDP this year. However, Mr Medgyessy pledged yesterday to follow the stabilisation policies successfully pursued by his predecessor, Mr Lajos Bokros, the cobinet's leading reformer, who stepped down on February 18 over disputed social security reforms."

"Stabilisation is a pre-condition of growth and there will be no stabilisation if we do not continue to support anti-inflationary measures," Mr Medgyessy, a 53-year-old banker and former communist, said in his first press briefing since being nominated by the governing Socialist party. He said inflation of about 20 per cent this year, down from 28 per cent last year, was a realistic target. He also promised to take a more conciliatory approach to reform of the two indebted social security funds which run the country's state health and pensions schemes. The country's large public sector had to become smaller and more effective and state expenditure reduced to enable tax cuts and a fall in interest

Virginia Marsh, Budanest



figures showing that joblessness rose from 17 per cent to 17.8 per cent between December and January. The upturn increases pressure on the coalition government of Mr Paavo Lipponen as the country heads into a period of

down one of Europe's highest

unemployment rates suffered

slower economic growth due European export markets. Last year the economy grew 4.4 per cent - one of the best rates in Europe - but the annual growth rate slowed from 2.9 per cent in November to 1.3 per cent in December.

When the Social Democrat-led government took office last year it said it aimed to halve unemployment to single figures. but the target looks increasingly unrealistic despite lower interest rates and efforts to make labour markets more flexible. A total of 438,000 Finns are unemployed, one in 11 of the population. Christopher Brown-Humes, Stockholm Swiss consumer prices rose 0.2 per cent in February from the previous month, for a year-on-year inflation rate of 0.8 per

 Austrian consumer prices rose 0.8 per cent in January from December and annual inflation climbed 0.1 percentage points

Eurostat-harmonised inflation data focus fresh attention on Maastricht Treaty **UK**, Italy and Spain may fail EU criterion

The UK, Italy and Spain risk failing to meet the inflation criterion for joining the proposed single European currency unless price pressures ease sig-nificantly, official figures yes-

terday suggested. The first ever harmonised price data from the European Commission shows that these three countries' inflation rates remaining well above the European Union average.

The data, drawn up by Euro-stat, the EU statistical office, are provisional. The figures exclude many crucial areas of consumer spending because EU statisticians have not yet agreed how to create a common inflation methodology.

Consequently, the EU figures differ from national data: price growth has apparently been raised in countries such as Italy, the UK and Finland -

Publication of the data is likely to focus fresh attention on the Maastricht inflation criterion, which has received less visibility in recent months than other criteria such as debt levels. The treaty specifies that countries wishing to join a single currency must have an average inflation rate (over a 12 month period) within 1.5 percentage points of the aver-

age best three EU rates.
Assessing precisely which
countries will meet this is impossible ahead of the judgment date for the first wave of entrants, planned for early 1998. One reason is that the data are lacking: although the Commission published semiharmonised data yesterday, it plans a more refined series

This later series could yield different results again, depending on what goods are included. Yesterday's data for

per cent of French spending. However, the other reason why it is difficult to make firm judgments is that it is uncertain what the "floor" of the inflation rate will be, since that depends on the performance of the best three.

The recent inclusion of Fin-land in the EU, for example, has lowered the average floor markedly. According to yesterday's data, the average of the best three performers last month was about 1.1 per cent. Consequently, if January's data alone were used to mea-sure the Maastricht criterion, then the UK, Spain, Italy and Greece would all fail.

However, the EU series is volatile. If the calculations had been done in December, for example, then the average of the best three would have been 0.8 per cent. At that level, using December's EU figures, Sweden and Portugal would



Germany loses TNT hub to Belgium

TNT Worldwide Express, the international transport group, is to move its European hub from Cologne to nearby Liège in Belgium, fuelling the bitter debate in Germany about overregulation and the country's loss of competitiveness.

TNT's planned move across the border, which will proba bly lead to some 600 job losses in Cologne next year, has been seized upon by German politicians and industry organisations as an example of an increasingly hostile business climate, dogged by high wage and social costs and recklessly enacted environmental legislation. The case is scheduled to be debated in the Bundestag, the lower house of the Ger-

man parliament, next week. Mr Lothar Ruschmeier, chief executive of Cologne city council, called the move a "catastrophe" for the city because of the impact on jobs and the potential knock-on effects, reflecting fears that other transport companies may follow suit. TNT blamed its decision

partly on increasingly hostility by the Social Democrat-Green government of North Rhine Westphalia, Germany's most populous state, and specifically on the campaign by the Greens for a night-time flying ban. member of TNT Express, said

Mr Dietmar Kablitz, a board "the discussion [in Germany] about night-flight bans has not been the sole reason behind our decision, but it has created planning uncertainty. A ban would have had

catastrophic consequences. TNT's decision exposed a deep split in the red-green gov-ernment in North Rhine/Westphalia, which is seen as a dry-run for a possible SPD-Green coalition in Bonn after the 1998 federal elections.

Some Greens reportedly welcomed TNT's decision, promis-ing "more progress in that direction", a comment that did coalition. One local Green party leader, called TNT's decision "logical", since the company had been "inflexible in its stance towards the residents who suffer from noise pollu-

By contrast, the Social Democrats are backing a new terminal at the Dortmund regional airport. The Greens argue that the coalition treaty

ruled out any further expansions of airports, while the SPD argues that this relates only to runways, not to airport infrastructure.
Mr Kablitz of TNT said that

Liège had several advantages over Cologne, where it has been based since 1988. It would be easier for TNT to expand operations if needed; it could take control of ground operations, which in Germany falls under the auspices of the airport authorities; Liège has two runways, while Cologne has only one; and wage costs, especially social security contributions, are lower. When the board debated the Liège versus Cologne case, Cologne appeared to have lost on virtually all counts.

Mr Eberhard Garnatz, director of Cologne's chambers of

Free Democrats, called the red tried to put the Düsseldorf gov-

ernment on the spot with a call to confirm formally that the current night-flight rules are to remain in place. He said failure to clarify the position would force other express parcel services to follow TNT's example.

"These 600 job losses are so

devastating because they are

the direct consequence of poli-

How to sink a shipbuilder Judy Dempsey recounts the hype and fall of Bremer Vulkan

whether he should have followed his father's advice and become a priest instead of a politician. Indeed, the Latin, Greek,

Hebrew and law he studied on his way to becoming mayor of the Social Democrat/Christian Democrat government of the north German city-state of Bremen never prepared him for the formidable task he is faced After months of staggering

financial disclosures, the region's largest employer, the Bremer Vulkan shipyard, was forced last month to seek protection from its creditors. And that was particularly bad news for Mr Scherf and the

city government, for it was the guarantor for hundreds of thousands of D-Marks in loans which were supposed to ensure the company's future as a shipbuilder but were apparently never spent on it.

Instead, the management of Germany's biggest shipvard appears to have tipped the lot down a black hole of the company's loss-making divisions rather than invest it in the troubled east German ship-

yards it bought in 1992. The demise of Bremer Vul-kan is a tale of the cosy relationship between German government and industry, lax accounting procedures and an absence of clear responsibility in business alliances between public and private sector. Som say it also goes to the heart of an endemic reluctance to question the authority of Germany's captains of industry. For Mr Scherf the tale began less than two mouths after he

moved into the mayor's office,

r Henning Scherf which looks out on Bremen's mann was ousted the previous must be wondering medieval St Peter's Cathedral, month because of repeated when he received a visit from Mr Friedrich Hennemann, Bremer Vulkan's chairman at the time and a former state secre-tary in the SPD-controlled Bremen government during the

> "He was full of enthusiasm. He had a copy of the compa-ny's six-months report. He said was going to make a small profit. We had no reason to doubt him. After all, outside accountants had checked the books," said Mr Scherf.

> This was good news for Bremen. The company has 23,000 people on its payroll, at least 10,000 of them around Bremen, and over the years the city acted as guarantor to the company. One supervisory board member of Bremer Vulkan reckons Bremen's guarantees amount to DM700m (£300m). "We never suspected anything. We assumed things were going fine until August, when

the bad news started," said Mr

Between August and last month, Bremer Vul-kan's losses soared, increasing to more than DM1bn in 1995 with the banks owed DM1.4bn. The company also poured DM852m into its loss-making subsidiaries instead of investing that amount in its two east German shipyards, as agreed with the BvS, the successor to the Treu-hand privatisation agency

which sold it the yards.
"All that money is gone." said Mr Hero Brahms, a former Treuhand board member who was appointed head of Bremer Vulkan's supervisory board last December after Mr Hennemonth because of repeated

"in fact, the Bremer Vulkan case shows there was no proper system of accountability or control over the way state-backed credits were spent or how he expanded the group." Mr Brahms, Bremer Vulkan's workers' council and some bankers agree that the cosy relationship between German industry and politics contributed to the collapse of the company. Meanwhile, Mr Hennemann is under investigation by prosecutors.

"The supervisory board of Bremer Vulkan had not enough authority," said Mr Wolfgang Dettmer, deputy head of the workers' council at Bremer Vulkan Werft, a subsidiary of the group. "These boards rarely do. As chairman of the management board, Hennemann called the shots. The management and supervisory boards went along with it. We believed him. What choice did we have, especially when outside accountants had checked

In August 1992, under pres-sure from Bonn and the Christian Democratic Union (CDU) in the eastern state of Mecklenburg-Vorpommern, the Treuhand sold MTW and VWS, two east German shipyards, to Bre-mer Vulkan. "We were under huge political pressure to sell to Hennemann," said Mr Brahms. "He wanted the entire east German shipping sector. Some of us tried to resist. We

were sceptical." The Treuhand allocated DM1.27bn of public funds to the MTW and VWS shipyards with a commitment in the purchase contract with Mr Hennemann of a further DM1.54bn, It now appears that the BvS, successor to the Treuhand, failed to monitor the implementation of those contracts through its contracts management" department, whose task is to ensure that investments are made on time and are channelled into agreed projects and

that job guarantees are met. Mr Heinrich Hornef, head of the BvS, shrugged off any responsibility and denied negligence. "There has been misuse of funds. The responsibility lies with the former board members of Bremer Vulkan," he said. "No one dared take Bremer

Vulkan head-on in the past," said a banker specialising in shipbuilding and who refused to grant the company any loans. "I am pessimistic about any politician prepared do so in the future."

e said the SPD in Bremen had been too close to Mr Hennemann to question the rapid expansion of the company in the late 1980s, while the CDU. which joined the coalition last summer, had the chance to scrutinise Bremer Vulkan and the SPD's financial backing for it, but got cold feet.
"Like the SPD, it knows

there are too many jobs at stake," the banker went on. "That is why neither party wants to take responsibility for a radical restructuring plan for Bremer Vulkan. That's why the coalition partners are now hugging each other and working in consensus. Neither party is prepared to make tough decisions to revamp the company just as both expect the taxpayer to pick up the bill."

Security leader to take early retirement

By Peter Norman in Bonn

Mr Konrad Porzner, the head of Germany's intelligence service, the BND, resigned yesterday after the federal chancellery refused to let him dismiss two senior BND officials in the wake of a scandal involving alleged black market trading in military material from Rus-

It has been alleged that three BND employees made personal fortunes some years ago through bringing military material out of Russia to the west. Mr Porzner sought to dismiss the two senior officials he considered responsible for the department involved in the

Yesterday, Mr Porzner sought and was granted early retirement after Mr Friedrich Bohl, the head of the chancellery, refused to allow the BND chief either to send the two officials into early retirement or to relocate them. Mr Porzner, aged 61, was

appointed BND head in 1990 after nearly 30 years in politics and parliament. A Social Democrat, who had served as a junior minister in the finance and development aid ministries before Mr Helmut Kohl's coalition came to power in 1982, Mr Porzner had no background in intelligence and soon reports were widespread of tensions between him, the BND staff and the chancellery. His departure yesterday was taken as a sign that he had

finally lost the confidence of

Chancellor Kohl.

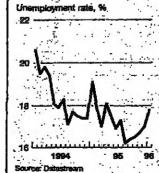
tics. Normally the process is more concealed. The liberal Free Democrats, About 78 per cent of some 4,000 FO delegates to a congress junior partner in Chancellor in Paris yesterday endorsed Mr Blondel's report on the union's Helmut Kohl's coalition, have activities, while just over 20 per cent voted against. Although immediately seized on the issue. Mr Guido Westerwelle, the actual leadership contest will only be formally decided by FO's national committee tomorrow. Mr Mairé effectively the general secretary of the rostrum in a show of unity. green government in Düsseldorf a "job-killer coalition". Mr Matthias Wissmann, the Mr Blondel, a strong opponent of government welfare reforms, rejected suggestions that he had allowed Trotskyists to infiltrate the higher reaches of the FO and denied his federal transport minister. tactical alliance with the rival pro-communist CGT

Hungary lifts growth hopes

Mr Peter Medgyessy, who takes office as Hungarian finance minister today, is to aim for economic growth of 4-5 per cent

ECONOMIC WATCH

Finnish setback over jobs Finland's efforts to bring



■ Norwegian unemployment fell to 4.5 per cent in February from 4.8 per cent a month earlier. The jobless rate was 5.3 per

inks wit

Criticism of existing system of meetings prompts review

EU to boost links with eastern bloc

By Caroline Southey in Brussels

The EU and eastern and central European countries this week broadly agreed new measures to boost contacts, in an effort to breathe new life into relations between the two blocs ahead of enlargement.

The initiative follows wide-

spread criticism of a regime set up a year ago to develop closer contacts and co-operation between EU member states and countries waiting to join

The changes are designed to improve the quality of a system of meetings, known as structured dialogue, which most countries believe has lost its way and is producing little

As part of a wider strategy on enlargement, BU heads of state agreed at the Essen summit in 1994 that eastern and central European countries should be invited regularly to meetings such as heads of state summits and Council of Europe meetings on foreign policy, transport and the single

Senior representatives are highly critical of the present regime. "We are going through a difficult period," an EU offi-cial said. "The system is not working. It has outgrown its

The official said the problem for aspirant member countries was that they had hoped structured dialogue would be the "centrepiece of relations" while waiting for accession. "As it has turned out, they feel they did not have any influence." he added.

From our side the problem is that they only come with sterile reports which do not ing as examples banking priva-tisation and implementation of stock market reforms.

Mr Josef Kreuter, ambassa dor to the EU for the Czech Republic, said the meetings were "too formal" and ministers were "not tempted to

The meetings, which sometimes take place the day after Council of Minister gatherings, are often badly attended. Only two EU foreign ministers -from Greece and Italy - were at this week's session with central and east European foreign

A further criticism is that ministers from the associated countries, which include Poland, the Czech and Slovak Republics, Hungary, Bulgaria, Romania, Latvia, Lithuania and Estonia, are prone to delivering set speeches, which militate against a free exchange of

views. "The meetings have

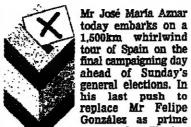
turned into monologues," an

EU diplomat said. Other diplomats also point out that there is no co-ordination between the countries ahead of meetings. "They are in competition with one another. They do not act or feel like a group," the EU official said.

The proposals considered this week include earlier preparation of agendas to ensure a "coherent" logic in the order in which sectors and topics are tackled, and limiting the topics

to one or two a session. Another idea is to ask the European Commission to pre-pare background papers ahead of each meeting. "This should reduce the amount of reporting back ministers do," an official said. Conclusions will be drawn up after each meeting to

Aznar's confidence grows in final campaign push



today embarks on a 1.500km whirlwind tour of Spain on the final campaigning day ahead of Sunday's general elections. In his last push to replace Mr Felipe

SPANISH March 3

minister, he will crisscross Spain from north to south, **ELECTIONS** addressing four rallies in seven hours. Mr Aznar predicted at the start of the two-week campaign

that his centre-right Popular party would win a "sufficient" majority. His punishing electioneering schedule is designed to win the PP an outright majority. His growing confidence showed at a

midweek meeting in Zaragoza's bull-ring, where he said the opinion polls had consistently underestimated the PP's lead over the ruling Socialists. "The gap is wider then they say, we are well out in front."

Zaragoza, Spain's fifth largest city

beliwether town where companies call on Mr González in 1983 to contest new consumer products for the domestic market:

Mr Aznar's feat was considerable because he was selling the PP in Zaragoza at a singularly unpropitious

The 15,000-strong crowd was in a state of angry shock when the meeting started. It had been watching, on glant screens, the annihilation of Zaragoza's football club in the final leg of the European super cup by Ajax of the Netherlands in a match where the Scottish referee gave three penalties against Zaragoza and sent off two of its players.

But Mr Aznar had a surprise up his sleeve. Having told the crowd "we're going to win in Zaragoza and if we were playing in Amsterdam we'd win there too", Mr Aznar introduced the Miami-based singer Mr Julio Iglesias, one of the biggest showbusiness personalities Spain has produced. The builring erupted as Mr Iglesias

leapt on to the stage to embrace "my very dear friend Jose Maria". "A nation, like a person, doesn't grow if it doesn't change," said Mr gratulate him on becoming prime minister. The singer now told the crowd Mr Aznar was the best possible man to run Spain because "he is honest, he is prudent and he knows how to listen"

A delighted Mr Aznar delivered his standard campaign speech. It dwelt on moderation, efficiency and opening up a "new dialogue" with society. The country was poised for a "momentous, peaceful and responsible change"; his government would "open windows to let in fresh air" and 'restore Spain's self-confidence".

He expects an outright majority in Aragón, where the PP wrested the regional government and the Zaragoza city hall from the Socialists in local elections last year. Mr Aznar has pulled off a coup in Aragon by establishing a coalition with a local regionalist party that had divided the centre-right vote in previous polls. Analysts believe the PP will now

double its seats in Aragón, returning eight of 13 MPs elected by the region.

Tom Burns



tomato splashed over opposition leader José María Aznar, with the message "Whether you vote or not, at least enjoy it". The poster was made by a small group boycotting Sunday's general election.

Bank of Italy warns on economy slowdown

By Robert Graham in Rome

The Bank of Italy yesterday warned that the Italian economy would be more seriously affected than previously projected by the slowdown among its main international part-

In the central bank's latest sixmonthly bulletin, economists forecast that growth will be closer to 2 per cent this year, instead of the 3 per cent envisaged last year in the Dini government's macro-economic projec-

The deceleration of the Italian

economy, evident in the last quarter of 1995, began later than other G7 economies. So far the slowdown has been less pronounced, because of strong exports. But the pace of the

export drive is beginning to slow.

The bulletin notes: "With competitive gains (from the lira devaluation) exhausted, the slackening on the exports front is unlikely to be offset by domestic demand whose rate of growth will remain substantially Consumer spending this year will

remain flat because real wages are

ployment cannot be reduced significantly, the bulletin says. Unemployment is at presently running at close to 12 per cent of the labour force.

However, with growth slowing. domestic demand flat, and wage demands contained, the bank sees a real prospect of bringing Italian consumer prices below 4 per cent.

Italian inflation has remained high, against the European norm. January figures just released showed the ginnings of a slight fall to a 5.2 per cent annualised rate.

The bank also lays down important

during the forthcoming campaign for the April 21 general elections.

The bulletin casts doubt on the 1996 budget achieving its object of reducing the public sector deficit to L109,000bn (£45.3bn) from L130,000bn, equivalent to 5.9 per cent

This is despite the Dini government bringing the 1995 deficit in on target. To gain greater credibility in the international financial markets, the banks says extra measures will be necessary.

This recommendation is less spe-

Antonio Fazio, the governor, who has talked of the need to find an extra L10,000bn-L15,000bn in spending cuts or fresh revenues.

Last year Italy's debt service bill was L190,000bn. Without this burden the budget recorded an important primary surplus of L60,000bn. For the first time last year Italy's

debt stabilised as a proportion of GDP, and even lowered marginally because of L8,350bm in privatisation receipts used to retire debt. But it is still above 120 per cent of

GDP, double the figure laid down by the Maastricht convergence criteria.

Paris may act on tax-free savings

By Andrew Jack in Paris

The French government is considering giving the country's private sector banks a free hand to manage money collected through a new tax-

free savings product.

This would represent a break with the normal practice of using funds generated by similar products for specified public policy objectives. It would also be the first time financial institutions were permitted to use tax-free funds collected without any obligation.

Mr Jean Arthuis, economics and finance minister, announced at the end of Janu-ary the government's intention to create a new "Livret Jeune" account for young people aged 12-25 that would be exempt from tax and available through

The country's banks want to be able to use the money collected how they like, or demand a commission of 1.2 per cent on any amount that has to be handed over to the state Caisse des Dépôts institution for investment.

Banks are keen to win Livret Jeune accounts, partly because they hope to hold on to the young savers they attract.

Advertising has already begun in earnest, and the accounts are officially available from today with a maximum deposit

of FFr10,000 (\$1,970). Introduction of the Livret Jeune was aimed at persuading private sector banks to cut interest rates, as part of efforts sumption in the economy.

The banks agreed to cut rates, but demanded an end to the monopoly of the French Post Office and the Caisse d'Epargne national savings network over the tax-free "Livret A", and a similar "Livret Bleu" product offered by the Credit Mutuel network.

The two existing livrets were maintained, but their interest rates cut by 1 point to 3.5 per cent, making them less attrac-

All Livret A and Livret Bleu deposits are handled centrally by the government, which uses them for financing low-income housing projects. The Codevi, another tax-exempt product already available through pri-vate sector banks, is partially collected through the state, but even the amount managed by the banks must be used to provide loans to small and medium-sized businesses.

Cries of 'foul' over TV rights to football

A row broke out last night Vittorio Cecci Gori, the owner of two small TV channels with less than 5 per cent of the national audience.

Mr Cecci Gori, a football fan and owner of the Florencehased Fiorentina team, is also believed to be one of the main sponsors of the political ambi-tions of Mr Lamberto Dini, the premier who this week launched a new centrist political party.

RAI, the Italian state broad-

casting organisation, criticised the award by the football league; it is the first time RAI has not been awarded the rights. An outraged spokesman said the offer made by Mr Cecci Gori was four times greater than the annual earnings of his TV stations.

Mr Cecci Gori's winning bid for the live transmission for terrestrial channels was L213bn (\$137m) for each of the next three years. He also won the radio broadcast rights.

The RAI statement pointed out that Telemontecarlo and Videomusic – Mr Cecci Gori's two channels, both of which he acquired last year - did not broadcast across the whole

It is not clear how Mr Cecci Gori, whose father founded a successful film production and distribution business, will finance the bid. But there have been rumours he is seeking international partners, including Mr Rupert Murdoch of News Corporation.

The original auction last autumn was postponed because Mr Cecci Gori claimed he needed time to bid against the three RAI and three commercial channels owned by Mr Silvio Berlusconi's Fininvest. Through football Mr Cecci Gori hopes to increase his share of the national audience to about

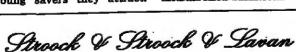
He appears to have offered L200bn more than what RAI was prepared to pay last autumn for three years' terrestrial rights.

Overall, the Italian football league will receive L1,251bn for football rights during the next

The pay-TV and pay-per-view rights were awarded to Tele-piu, which is controlled by Germany's Kirch group and the Rupert family of South Africa. Telepiu, in which Mr Berlusconi has a 10 per cent stake, bid L203bn a year for three

Here also RAI might seek to reverse matters as it has been arguing vigorously to be allowed to enter the field of pay-TV. The government has, so far, blocked its way.





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China irked by US loan curb

China expressed regret yesterday over a US decision to hold up \$10bn in preferential US Export-Import Bank loans. Washington is considering whether to impose sanctions over alleged Chinese transfers of nuclear technology to Pakistan. We regret the move. We believe it is unwise," said Mr Shen Guofang, foreign ministry spokesman.

Eximbank announced yesterday it would hold off on new financing commitments to China for the next 30 days, pending further investigation into the alleged transfer of nuclear technology. US intelligence has reported that China last year shipped specialised magnets to Pakistan for equipment that enriches uranium used in nuclear weapons. The latest irritation comes at a sensitive moment in Sino-US relations. with a US decision also pending on sanctions over continued copyright violations of American information and Tony Walker, Beijing entertainment products.

Ramos confident on tax reform

Philippine president Fidel Ramos expects his tax reform package to pass soon, despite the defection of Liberal Democrat members of his coalition from the Senate, he said yesterday. "I have been assured by the leadership of both Chambers that the entirety of these tax reform measures will be passed." Speaking on the eve of the Europe-Asia summit, Mr Ramos called on European countries to take part in the international marine survey workshops being organised by Asian countries to defuse conflicts over claims to the Spratly Islands. Europe had an interest in peaceful resolution of the issue, he said, because shipping lanes in the area were so important. Peter Montagnon and Ted Bardacke, Bangkoi

Vietnam to boost tax collection

Vietnam, faced with a widening deficit, will tomorrow discuss a new budget law designed to reverse chronic tax collection shortfalls after a fall in government revenue last year. The issue will be discussed at a session of the National Assembly, the country's legislative body that has an increasing say in economic policy. Mr Vu Mau, chairman of the standing committee of the Assembly, said a cornerstone of the new law will be to allow some of the country's 53 provinces to keep more tax as an incentive for them to collect more. The Assembly would also pass a long-awaited mining law allowing foreigners to own the minerals they exploit in Vietnam, which has gold and other valuable mineral deposits. Foreign investors, particularly Australian companies, have expressed interest in Vietnam's mineral sector. Jeremy Grant, Hanoi

Taiwan eases investment curbs

Taiwan has loosened curbs on foreign investment in domestic shares in a liberalisation move timed to boost flagging share prices before the country's first presidential elections on March 23. The cabinet yesterday approved a proposal to lift the ceiling on foreign equity investment from 15 per cent to 20 per cent of total market capitalisation. It also gave the nod to direct investment in shares by foreign individuals. Until now only foreign institutions approved by Taiwan's monetary authorities have been allowed to buy Taiwanese shares.

While welcoming the changes, securities analysts cautioned that they were unlikely to bring an influx of foreign funds into the Taiwan market. Net foreign investment in Taiwan shares is now stands at less than 5 per cent of total market Laura Tyson, Taipei

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Government panel urges break-up of NTT

A Japanese government advisory panel yesterday recommended the break-up of NTT, the world's largest

company by market capitalisation.

The break-up, it said, was crucial in stimulating competition in Japan's telecoms markets and speeding the move to an advanced information

NTT should be broken up into one long-distance and two regional carriers by March, 1999, the Telecommunications Council said in its final report to the government.
Publication, after almost a year of

debate over NTT's future structure by council and public, takes the issue to

for the end of March, will have a crucial influence on the course of the world's second largest telecoms mar-

The council's report is by no means guaranteed to become law in its pres-ent form. Prominent politicians in the government have expressed opposi-tion to a break-up of NTT indications are growing that political considerations will, in the end, prevent the council's recommendations being adopted by the government.

NTT, which has rigorously opposed any break-up, has substantial political clout, with over 191,000 employees throughout Japan. Japan's ruling par-

ties are unwilling to risk alienating this huge source of votes when public antagonism towards the government's housing loan bail-out scheme is at a

The Keidangen, Japan's most influential business organisation, said yes-terday it respected the council's view but would like to see further deregulation and the separation from the telecoms ministry of its regulatory and supervisory functions.

NTT, in a last-minute attempt to convince the public it can be efficient. despite its size, offered yesterday to provide the most advanced new services at the cheapest prices in the industrialised world by early next

NTT is the third such move since NTT was privatised ten years ago. It comes five years after the last attempt was rejected by Japanese leaders in 1990. At that time, the decision on NTT's future was postponed for five years, bringing the deadline to the

end of this month. Criticism has been widespread that NTT's 99 per cent share of the local etwork has stifled competition, kept Japanese telecoms prices high, restricted new services and hindered Japan's entry into the advanced infor-

in its final report, the council recommends splitting NTT into a single long-distance company and two west Japan. It proposes the new long-distance company offer interna-tional and local telephone as well as cable television, data and mobile communications services.

jernian)

Kn

KDD. Japan's biggest international carrier, will be allowed into the domestic telephone market. Regional carriers will not be allowed to offer cable, long distance or international services from their business regions but will be able to do so outside their own areas.

Foreign ownership of shares in the two regional carriers will be related from a ceiling of 20 per cent on NTT shares to just less than one.

Chirac sees EU as Asian partner

Ted Bardacke in Bangkok

France made a bid for the limelight at the European Union-Asia summit in Bangkok with a speech by President Jacques Chirac calling for Europe and Asia to work together towards the establishment of a new global equilibrium, replacing the old bipolar world of the cold war.

By the end of the century the European Union must assert itself as Asia's other partner besides the US, Mr Chirac said in a speech in Singapore, designed to overcome Asjan doubts about Europe's interest in the Pacific region and establish France as the EU's leading partner in Asia before tomor-

In his speech, the text of which was widely circulated here, Mr Chirac was careful to make conciliatory gestures to Asian countries upset by French nuclear testing in the South Pacific.

He endorsed Japan's ambition for a permanent seat on the UN security council and called for closer dialogue between Europe and the seven members of the Association of South-east Asian Nations. France would "adopt a constructive attitude of principle towards the treaty on a southeast Asian nuclear weapons free zone" signed by Asean last

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larger political role in the world, commensurate with its the richer countries of the region should introduce their own development aid programmes. He also endorsed the planned expansion of Asean to incorporate three new members including Burma and reaffirmed France's claim to a national presence in the Assan Regional Forum which deals with security matters.

On the economic front, France wanted to triple its share of Asian imports from 2 per cent to 6 per cent within ten years, he said. But security issues were also crucial, now that the cold war was over. "This new multipolar world, very different from the bipolar world we have lived in since the [second world] war, with its ideological conflicts and risk of confrontation, will make everyone free to estab-

lish new ties, new solidarities." Europe should look at Asia with new eyes, and overcome the indifference, and sometimes the suspicion born of ignorance," adding that too often Asia's economic strength was seen as a menace in Europe and Europe was seen as a trade fortress in Asia. He called for the establish-

ment of a Europe-Asia training and technology exchange and private sector business forum. Brittan to warn China, Page 5

Talks with Li fail to achieve commitment on reformed legislature Major dampens hopes of HK deal

Mr John Major, the UK prime minister. last night sought to dampen expectations in Hong Kong of winning any Chinese commitment to preserve the territory's recently reformed

Speaking after an hour of talks with Mr Li Peng, the Chi-nese prime minister, Mr Major said overall relations had improved markedly over the past year, and that he had been impressed by several edges received

The talks, the first between the two leaders in five years, took place in the margins of the 25-nation Asia-Europe summit in Bangkok.

Mr Major said Li Peng con-firmed that after the handover to China in June 1997, Hong Kong would enjoy "a high degree of autonomy". The Chi-

officials to run the region; they would not take extra tax revenues, and they would look sympathetically on local feeling in making their choice of a chief executive to run the terri-

ical and economic ties, Mr Major announced that his deputy, Mr Michael Heseltine, would take 250 business leaders to China in May, one of the largest business deleg-ations to be led by a British

However, the British side received no indication on when a chief executive would be announced to replace Governor Chris Patten. Nor did it gain any assurances about the future of the Legislative Council. or about a bill of rights. legislators have

founded not only on economic success, but on the rule of law." Mr Major said. He also made clear he had "touched on human rights, as I always

Earlier, Sir Leon Brittan, the European Union trade commissioner, said that during talks with the commission, Mr Li had given an undertaking to discuss human rights in bilateral and multilateral forums, but not during the main bush ness of the Bangkok confer-

However, Mr Zhou Nan. China's de facto chief representative in Hong Kong, warned the UK government yesterday not to press its demands for political democracy. "We sincerely hope the British can fully cooperate...and stir up no fur-

"I said to the prime minister smooth transition," he that Hong Kong's success is said.

Mr Major flies on from Bangkok to Hong Kong tomorrow night for his first trip there since 1991. His decision, however, to address Legco in closed session has infuriated local politicians.

He is expected to use the visit to announce an agree ment to grant visa-free entry to Hong Kong citizens after the handover, one of Legco's strongest demands.

Resistance has been strong, however, among Mr Major's cabinet colleagues, notably Mr Michael Howard, home secretary, who fear it could create an entry loophole for mainland

Mr Major would not confirm that he had raised with Mr Li either the visa issue or the fate of Vietnamese boat people in

The cynics and apathetics hold key to Australia poll

Ballarat, about 50 miles from Melbourne in the state of Victoria, is a marginal seat, targeted by both leading parties in Australia's federal election. A 1.6 per cent swing on Saturday would deliver it back to Labor from the conservative Liberal-Na-

tional coalition. Such close running might be expected to concentrate the litical mind, but, in Ballarat, far from it. "It doesn't matter which mob you vote for, they all do the same thing," says not always so evident across Australia. Despite a five-week campaign, voters see few defining issues. Labor has been in office for 13 years, and the coalition has plugged the slogan: "Time for a change". "A change to what?" counters Labor. In many policy

ties' stated promises look remarkably similar. The campaigns have scarcely moved the electorate either. The coalition went into the contest with a big lead in the opinion polls, and has minim-ised its risks. The diary of Mr John Howard, the coalition's leader, has comprised early morning radio interviews and

areas - from foreign affairs to healthcare - the leading par-

set-piece addresses to the party faithful. Mr Paul Keating, the Labor prime minister, has travelled more freely, especially recently. A tub-thumping speech to a union-arranged rally in Brisbane on Tuesday actually generated spontaneous (and supportive) interjections from the audience. Even so, his programme, too, has been carefully managed to minimise chance encoun

with unvetted voters. The resultant air of disillusionment matters for two reasons. First, voting is compul sory in Australia, so even the toughest cynics make their mark. Second, many Australians are loyal in their political who represent less than one-fifth of the total electorate, usually determine the result.

As a result, political pundits are loath to make firm predictions about the outcome although most concede victory for the coalition is "odds-on after the fiasco on Wednesday in which Mr Ralph Willis, federal treasurer, accused the coalition of planning to cut federal funds to state govern-ments and released letters purporting to show this. The letters were later shown to be

The opinion polls bear this out, and while the opposition's margin over Labor has varied from 2 to 8 percentage points in recent days, it needs only a 0.5 per cent uniform swing to

There may be some complicating regional factors. There is a widespread expectation that Labor will lose ground in Queensland. It holds half the 26 seats but seven are on mar-

With few differences in style or substance in this campaign, the 'swing vote' counts, writes Nikki Tait

The parties, parliament and polls



wilderness throughout the 1950s and 1960s - gained office in 1972 but, after a turbulent three years, lost again in 1975. Eight years later, Bob Hawke led the party back into government, and for the past 13 years it has remained there. Keeting become leader in 1981 after a bitter contest with Hawke. The party is the trade unions, has been responsible for freeing up and internationalising the economy, through progressive taciff reductions, deregulation of the financial sector and the floating of the currency. A centreplece of its policy has been accords with the unions under which they promise wage restraint in return litt

The Liberal party pursues a more pro-bestness stance the Labor party but is often described as a broad church.

party in the late 1980s but lost the 1987 election and was

encompassing hardline economic rationalists and some individuals with fairly progressive social agendae. Howard is having his second titl at the prime-minister's job: he hadded

party in this size recovered took the rest energied as leader just over a year ago as an experienced hand to take charge of a party in disarray. The Liberals' long period to opposition his bred disunity and frequent leadership changes. But, under Howard resumed leadership, it has put forward a more harmonious to

the government's furthering social object

iberal/National coalition







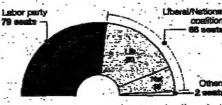
spokeemen on trade in 1993;

surprised its opponents.

The National party was known as the Country party from 1919 - when it fought its first election - unit the 1970s, its heartland is still the Australian bush and its aupport strongs among the farming community. Coalition arrangements with the Liberals are long-standing and relatively smooth. Rische one of Australia's more unconventional but fondly regarded political figures, became party leader and opposition.

and its shrewd, disciplined campaign style sea

What the voters have now...



Senate: 76 seats**

and how they say they'll vote OF VOTE

an ane comprex Serials elections, most polisters are tipping an outcome in which neither the coalition no Labor holds ouright control. The balance of power would be retained by the Australian Democrats, the Green party and an independent. Both the Democrat and the Greens are left-leaning, with strong

of less than 3.5 per cent. The Queensland economy, meanwhile, has been badly affected by drought and a slow-down in the housing market. New South Wales, where Labor also fared well in 1993, is another potential trouble spot. Disaffection with a new Labor state government could rub off on the federal party. So it is probably essential

that Labor makes up seats in

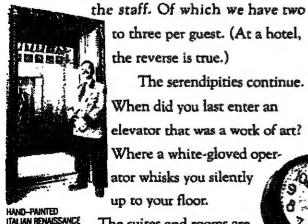
other states. Its best opportu-nity lies in Victoria, where a fairly radical Liberal state government has already enacted and pursued an aggressive pri-vatisation agenda. This makes seats such as Ballarat crucial and cynical voters an essential

prize.

Meanwhile a fairly positive set of monthly balance ments figures has gone almost

unnoticed. The current account deficit for January stood at A\$1.64bn (US\$1.24bn), down from a revised A\$1.7bm in December and significantly better than the A\$1.8bn which the market expected.

Merchandise exports rose by 2 per cent during the month, with rural exports enjoying a 6 per cent rise as the of the drought



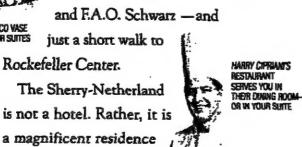
It was inspired by the Vatican Library. Although this is your first visit, the concierge greets you by name, as will

> to three per guest. (At a hotel, the reverse is true.) The serendipities continue. When did you last enter an elevator that was a work of art?

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Nikki Tait

Germany and US liberalise air travel

-By Peter Norman in Bonn

Germany and the US yesterday agreed an immediate partial liberalisation of air traffic and a bilateral air safety pact ahead of the expected start of the two countries' open skies agreement this summer.

Mr Matthias Wissmann, the German transport minister, said the two sides agreed a four-point "goodwill" deal to increase air traffic following yesterday's negotiations on the details of the open skies agreement. He said Germany would sign the open skies agreement, which was unveiled early last month as soon as the US authorities have given antitrust immunity to the existing alliance between Lufthansa and United Airlines.

The two companies yesterday lodged their application for immunity with the US Department of Transport, Approval of the immunity, which will allow the partners to engage in joint capacity and price planning and integrate their sales policy, is expected in 60 to 90

days, Mr Wissmann said. The four-point deal is intended to signal the two gov-ernments' commitment to liberalisation. It will take effect before the summer and allows: LTU, the German carrier, and Air New Zealand to fly three times a week on a codesharing arrangement between Los Angeles and Frankfurt. · Lufthansa and United to use their code sharing services between Germany and the US

via Amsterdam and Brussels and Zurich. Lufthansa, which, according to Mr Wissmann, is the world's biggest freight carrier, to expand its freight services

in the US. US airlines to have an extra 20 flights a week between Germany and the US.

In addition, the two sides agreed that their open skies agreement should include principles for non-discrimination and competition in computer reservation systems and rules. to ensure non-discriminatory user fees that cover costs in all

Bayer's easy-to-use test strips help to es and kidney at an early stage





NEWS: WORLD TRADE

A Potton house (left) in Nasu, north of Tokyo, while (right) Japanese inspect a traditional style English fireplace

Japanese go for the inglenook look

and Kobe.

By Andrew Taylor.

Japanese demand for traditional British luxury items, from whisky to Wedgwood china, is spreading to the country's housing market.

UK companies specialising in timber-framed homes have supplied reproduction English country houses, which come complete with inglenook fireplaces and exposed beams, to meet the requirements of discerning Japanese home buy-

The latest enterprise, which is a joint venture between Potton of the UK and Meishin,

a Japanese trading house, is due to be launched today. Planning permission is being sought for the first "Euglish"

village of 20 homes to be built at Nasu, a commuter town surrounded by mountains and forests, about an hour's train journey north of Tokyo. Eight separate "villages" using Potton designs are pro-

posed by Meishin. Potton, a family-owned company based in Bedfordshire,

will be following in the foot-steps of other British builders. Prestopian Homes for several years has exported timber frame kits and housing components to build Tudor style

homes in Takamatsu, Osaka ton to build Tudor and Queen

The flexibility of timber frames, compared with brick and block, meant that the company's homes in Kobe escaped relatively unscathed from last year's earthquake.

In Shirakawa, an entire Elizabethan-style village has been constructed by Hertfordshirebased Border Oak, using traditional building methods.

It forms part of a university campus where students learn English language and the English way of life.

In the latest deal Meishin has won exclusive rights to

Anne style homes. Other building materials, fix-

tures and fittings will also come from the UK from an approved list of companies which includes Scottwood Kitchens, Southern Brick and Anderson Windows.

Potton will also arrange for British bricklayers, carpenters and other craftsmen to travel to Japan to build the first homes at Nasu. It is expected Japanese construction workers will be trained to build subse-

Homes are expected to be sold for about £140,000

quent developments.

struction cost of about £120,000. Japanese-built homes of equivalent size and quality would cost about £300,000, says

Mrs Akiko Abe, managing director of Meishin says: "Japanese people truly love English housing. Potton houses are

cheaper than normal Japanese homes so the market is huge." Meishin expects to develop a nationwide network of Potton representatives in Japan as its market develops.

Potton also has a one year,

£1m contract to supply designs and timber frames for traditional English homes in Israel

Big increase in project finance

The international project finance market, which mobilises private capital for energy, infrastructure and other projects, grew by more than 50 per cent in 1995, according to a survey published today.

A sharp increase in telecommunications-linked business, and a rise in Asian and American projects, fuelled the growth, according to the survey by IFR Project Finance International, a trade publica-

The survey says the project finance market grew to \$27.1bn in 1995, compared with \$17.7bn in 1994. Loan finance accounted for 86 per cent of the total, with bond finance accounting for the remainder. Returns are paid out of revenues earned by the operators of the projects. PFI's figures, first compiled in 1994, include all deals underwritten during the year but exclude financing totally guaranteed by govern-

ment agencies.
Worldwide nearly \$5.8bn was
mobilised for telecoms projects, with projects accounting for about 20 per cent of activity in the Americas and more than 50 per cent of the total in Europe and the Middle East. The survey highlighted financings or refinancings for the UK Orange and Mercury 1-2-1 mobile phone and the Italian OPI GSM greenfield mobile

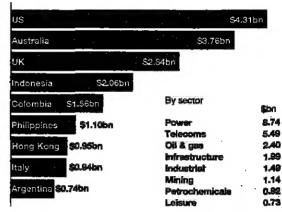
"Power, oil and infrastructure have been staples for project financing. We are starting to see telecoms rocket up. said Mr Rod Morrison, editor of the IFR Project Finance International. Telecoms was the second most popular sector after power for which bonds and loans financing amounted to

some \$11bn. The rise in the number of loans directed to Asian projects was another outstanding feature of the year's business. Banks increased their loans to Asian projects from \$4.2bn to \$9.3bn. Among the biggest projects were deals to develop two coal-fired power stations: a \$1.82bn loan for the Paiton project in Indonesia and a \$1bn facility for the Sual project in the Philippines province of Pangasinan. Banks lent more to projects in Indonesia than in any other emerging market. while project developers in Australia borrowed more money than those in any other country apart from the US.

Project lending to Latin America also grew signifi-cantly, with Colombian power, pipeline and telecom projects drawing in \$1.55bn loan finance, more than 20 per cent of project lending directed to the Americas as a whole. Bond and loan financing for the country's Ocensa pipeline amounted to \$1.4bn, while loan financing for Colombia's Termobarranquilla gas power plant amounted to \$575m.

Project finance: the world leaders

Top global lead arranger loans by country



Source: Project Finance International

Russia steps up food import battle

in Moscow and Nancy Dunne

The trade skirmish over US chicken sales to Russia intensified yesterday when Moscow hinted it may impose quotas on other food imports.

The threat follows Russia's warning last week that it would ban US chicken imports from March 16 if veterinary certification standards were not met.

In Washington US officials and scientists yesterday met Russian veterinarians in an effort to allay Russian concerns. The White House is also pressing for a solution through

the Gore-Chernomyrdin commission, a channel for the US vice president and the Russian prime minister.

The US poultry industry, which has been earning about \$600m a year from its exports to Russia, attributes the embargo to a a policy shift reportedly approved by Mr Chernomyrdin and President Boris Yeltsin, which would return Russia to heavily subsidised agricultural produc-

Mr Alexander Zavervukha. Russia's deputy prime minister in charge of agriculture, dismissed a letter from the US agriculture department com-

infringements as "condescend-And he promised the coun-

try's veterinary service would act firmly to safeguard the Russian population's health. According to the Interfax news agency, the Russian State Trade Inspectorate last year turned back almost one quarter of the US chickens it inspected amounting to some

But Russian accusations of poor quality food imports have been combined with more overtly protectionist senti-ments. The Russian poultry industry has complained bitterly about dumping by foreign plaining about possible trade producers and urged the gov-

3,000 tonnes.

ernment to intervene to protect Bush visited Moscow and local farmers.

The Moscow regional administration this week blamed cheap imports for undermining domestic producers. According to the administration's figures, the region's poultry stock has fallen to 17.7m birds or less than half the 1990 level.

Mr Zaveryukha confirmed he would press President Yeltsin to impose quotas on the import of foodstuffs.

The dispute has already hit US chicken exports to Russia which amounted to about \$500m in 1995. US producers have rapidly increased chicken sales to Russia since the early

promised to help improve the country's food supply. The imported chickens, which have become extremely popular in Russia, were quickly labelled "Bush's legs" as a result. US producers have seen Rus-

sia as a particularly attractive market given the local population's preference for dark chicken meat. The majority of the US public prefers white

The popular press has reacted with incredulity at Mr Zavervukha's comments given the appalling quality of many unsanitary conditions in which



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We would be happy to provide more information. Please write to Bayer AG, Public Relations Department (KI), 51368 Leverkusen, Germany.



Expertise with Responsibility

Sharp rise in use of bank fakes

By Andrew Jack in Parts

The International Chamber of Commerce, the international business organisation, yester-day warned of a sharp rise in the use of fake banking instru-ments which are defrauding companies and individuals of

millions of dollars each year.
The use of "prime bank instruments" - which purport to offer risk-free, high interest returns and often appear to be backed by well-known banks have reached "epidemic" pro-portions, it said in a report on

Mr Rahmi Koç, president of the ICC, said he was "alarmed" at the growth in frauds, some of which falsely use the name of his and other organisations to add respectability.

The report calls for increased vigilance, and says many people are taken in too easily by bluster, bluff, name-dropping and pretentious language. The idea of "prime bank instru-ments" has been in circulation for many years, giving them credibility, but they have never been legitimate.

Other names for fictitious instruments often used are standby letters of credit, prime bank guarantees and prime bank notes. They are portrayed as highly profitable, totally risk-free, extremely secretive, and sanctioned by regulators banks and international bod-

Mr Eric Ellen, executive director of the chamber's commercial crime bureau, said that legislation needed to be tightened to clamp down on fraud.

He said it should be a criminal offence for someone to offer such instruments to others when they know or believe the objectives of a proposed deal cannot be achieved.

At present, fraudsters can evade prosecution because they claim to have acted in good faith, offering forged instruments but arguing in their defence that they thought

them to be genuine. He also called for tighter regulation to prevent newspapers and magazines carrying advertisements for such frauds.

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Australia submits draft for global test ban pact

Australia yesterday presented a model draft of a global test ban treaty to negotiators in Geneva, warning of widespread concern that the opportunity

to conclude a treaty this summer was "slipping away". Mr Michael Costello, head of Australia's foreign affairs department, said that the compromise draft was designed to cut the Gordian knot of "a thousand brackets and a few tough issues" which were hold-

ing up progress on the test ban told a news conference. reary.
Addressing negotiators in the United Nations disarmament conference, Mr Costello said the draft showed a treaty was within the world's grasp this year.

Over the past two years, 90 per cent of the work had been done, but new momentum was needed to complete the treaty on time There is a need to seize the

hour, it may not come again if we miss it," Mr Costello later

The model text calls for a "zero-yield" test ban, which has been publicly endorsed by three of the five declared nuclear powers - the US. France and Britain - and is

warmly welcomed yesterday by many countries, including Iran. which last week put for ward its own treaty text in a similar attempt to speed the

However, India, which has insisted on linking conclusion of the treaty with a time-bound commitment to full nuclear disarmament, threatened yes terday to withdraw from the Geneva talks if there were any move to substitute the Australian draft for the current negotiating text.
India, which carried out its own nuclear test in 1974, has

its hardline stance on linkage. In recent weeks a number of non-aligned states which share India's disarmament goals have publicly rejected any link that could scupper the test ban

treaty. Nevertheless, under the rules of the 38-member disarmament conference. India could block the necessary con-sensus on a global pact.

This would seriously weaken the pact in the eyes of many countries, which believe it should cover all nuclear-capable states.

Other "threshold" nations such as Pakistan could then

also refuse to sign.

Diplomats point out that, while New Delhi did not block the indefinite extension of the Nuclear Non-Proliferation Treaty last year, neither India

Even if New Delhi does not go this far, it could refuse to sign the treaty.

This results are the second of the se A number of other issues are also holding up the talks, including the rules for on-site inspections when nations are suspected of cheating, and the conditions for the treaty's entry into force.

China is still holding out for the right to conduct "peaceful" nuclear explosions while some developing countries, including India, want to ban computer modelling and other research that could advance nuclear weapons development.

Premier accused of anti-democratic methods in resisting big pay demands

He noted that the final ver-sion of the treaty had to be

agreed by the end of June if it

is to be submitted as scheduled

general assembly in Septem-

expected to be backed by Rus-

Army halts Lebanese workers' protest

Lebanon's Prime Minister Rafik al-Hariri yesterday ordered in the army to stop a workers' protest, raising new questions about his democratic convictions. Reuter reports

The billionaire construction tycoon's decision to impose a curfew backed by troops highlighted the mounting dilemma Mr Hariri faces in trying to rebuild Lebanon with scarce

Meeting labour's insistent pay demands could bring on a financial crisis of unforeseeable consequences, financiers say. But if he does not do a deal with the workers, he seems condemned to rely increasingly on force to rule an increasingly restless country.

Already accused by critics of

lacking enthusiasm for democracy and encroaching on Lebanese freedoms, Mr Hariri faces the prospect of confront-ing an ever-broadening political opposition if he continues to look to the army to prop him up.

In a biting comment, the lef-tist Beirut daily As-Safir yes-terday called Mr Hariri a "mar-tial law governor". By resorting to the army he had shown how much his personal popularity and political strength have plunged since he took over in October 1992, the

newspaper said. When he took office in October 1992. Mr Hariri was welcomed enthusiastically as the only man with the vision to rebuild Lebanon after the 1975-90 civil war.



Troops arresting people in Beirut yesterday for violating a curfew which halted demonstrations

But on Wednesday, he ordered the army to take over national security for three months in the face of labour unrest and charges that he ignores the poor and is leading Lebanon towards a "social explosion."

The army imposed an 11hour curiew to abort demonstrations that the prime minister had refused to allow during a general strike planned for yesterday.

pay rise for all workers, a doubling of the monthly minimum wage of L£250,000 (£101) and rollbacks of government policies it dubs anti-democratic. But the government is desperately strapped for cash as it pursues its multi-billion dollar

postwar reconstruction drive,

which has set Lebanon on the

road to recovery.
It cannot meet the CGTL's pay demands without increasa massive budget deficit and public debt and provoking eration (CGTL), which called inflation that could undermine the strike, wants a 76 per cent the Lebanese currency, financiers say.
"I seriously believe what Hariri says is true, that if you raise salaries, there could be a collapse of the pound and the workers will be worse off," said

a Beirut banker who asked not

to be identified.

"I think the financial markets are relieved (by the army action) because they see that if he caves in to pay demands there will be a devaluation of the currency," the banker

Mr Hariri is also relieved at the army's backing, because in May, 1992, bread riots toppled Mr Omar Karami, a former prime minister amid a currency collapse and soaring

Another devaluation now of the Lebanese pound, which has appreciated steadily since Mr Hariri took office in October 1992 would knock away the lynchpin of his reconstruction policies.

To avoid the crunch, Mr Hariri has repeatedly resorted to delaying tactics. Lebanon's 120,000 public sector employees are still waiting for a 20 per cent raise agreed in December 1994, and the CGTL is increasingly militant.

A Beirut newspaper com-

mentator said Hariri could afford to act so tough because he has the backing of interna-tional and regional powers like the US and Syria - who

want him to stay in office. "This is why he's moving like a bulldozer. He survives every crisis because they want him to stay," said the commentator who asked not to be iden-

Syria, which has 30,000 troops in Lebanon, is the country's main power broker and analysts noted that Hariri made a visit to Damascus

before ordering in the army.

"This is a dictatorship disguised as democracy," the commentator said. "The question is how long can he get away with it. He's not as popular as he was when he took over. He's very unpopular now and his popularity continues to drop.'

INTERNATIONAL NEWS DIGEST

Tunisian party leader jailed

country's main opposition leader, to 11 years in jail on charges of having secret contacts with Libyan agents and receiving money from Tripoli, judicial sources and his lawyers said vesterday. It also condemned a Libyan agent, Rachid Ben Mokhtar Mohamed, who was tried in his absence, to the same

jail term.

Mr Moada, a university professor and president of the main opposition party, the Movement of Social Democrats (MDS), was charged last October with having contacts with foreign agents which could affect Tunisia's military or diplomatic situation. Lawyers said Mr Moada pleaded not guilty and said his contacts with the Libyans were within the normal framework of relations between politicians.

The court dropped the charge that Mr Moada's contacts affected Tunisia's military position, lawyers said. Journalists were not allowed to enter the court for the hearings nor the reading of the sentence early yesterday. France, Tunisia's main economic partner, said it planned to discuss Mr Moada's jailing with other EU nations.

Reuter, Tuni

South Africa signs nuclear pact

South Africa and France yesterday signed agreements opening the way for French investment in a South African laser-based uranium enrichment programme, Mr Pik Botha, mineral and energy affairs minister, said. France will invest R83m (\$21.5m) in developing South Africa's Molecular Laser Isotope Separation (MLIS) enrichment technology.

Mr Botha said the French state-controlled Compagnie Generale des Matieres Nucleaires (Cogema) had signed a letter of intent in Paris in 1994 but this was subject to intergovernmental agreements being reached on nuclear co-operation and trade. "The agreement is...subject to international safeguards and

to the two intergovernmental agreements confining any cooperation and exchange of know-how and technology to peaceful uses only," Mr Botha said. Both the International Atomic Energy Agency and the

European Atomic Energy Community also had to be informed of the proposal because of the "sensitive nature of international co-operation on uranium enrichment technology". Reuter, Cape Tours

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Whitewater fillip for Mrs Clinton

There are insufficient grounds for a lawsuit against Mrs Hillary Rodham Clinton's law firm over its work for a failing savings and loan institution, according to a Whitewater report that congressional Democrats will use to argue for a swift end to Senate hearings. The report says lawyers did not find evidence of fraud or

intentional misconduct that would be needed to sustain a claim against the Rose law firm of Little Rock in the collapse of Madison Guaranty, the Arkansas savings and loan once owned by the Clintons' Whitewater partners. A team of attorneys from a private law firm prepared the study for the Federal Deposit Insurance Corporation. Mrs Clinton prepared a real estate document on a money-losing land development financed by Madison. The report said it would be highly unlikely a jury would find Mrs Clinton knew of any wrongful purpose regarding the document.

AP. Washingto

US money laundering fears

Organised crime in the US banking system, including money laundering and other financial scams, is raising national security and foreign policy concerns, witnesses told a House of Representatives panel.

Money laundering – used by drug dealers and other criminals to deposit illegal profits in the banking system – now moves as much as \$500bn through the system annually. Laundering, counterfeiting and credit card scams cannot be considered "white collar" crimes any longer because they are being used by organised criminal groups to support drug dealing, illegal arms trafficking and murder, Mr Jim Leach, chairman of the House Banking Committee, said

Pemex pre-tax profits up 20%

An increase in international prices for crude oil helped Petroleos Mexicanos (Pemex), Mexico's state oil monopoly, to \$13.2bn in pre-tax profits for 1995, a 20 per cent increase on the

Although the company had planned a slight increase in total production, hurricanes in October pushed output down to 3.1bn barrels for the year.

Daniel Dombey, Mexico City

Colombia in drugs battle

Colombia is pulling its weight in the global struggle against narcotics and should not be disqualified for partnership by the US government, the Colombian minister of foreign trade said

yesterday.
"Decertification is out of the question." Mr Morris Harf said. The US government will today list the results of an annual review of world anti-drug efforts that includes the "certification" of various countries as reliable anti-drug partner. US officials last month said, however, they were concerned about allegations that Colombian President Ernesto Samper's election campaign was fuelled by drug money, casting doubt on the country's ability to secure cartification. Nations denied drugs certification face the loss of US aid and possible trade sanctions, unless President Bill Clinton grants a waiver of the law in the national interest of

Two leading Republican presidential candidates fail to find top gear

Dole in the slow lane on Highway 85

By Jurek Martin in Spartanburg, South Carolina

ighway 85 on the fringes Spartanburg, South Carolina, this week gave Republicans Bob Dole and Pat Buchanan a chance to show off their contrasting wares before tomorrow's primary election.

The majority leader was at the spanking new BMW plant, supposedly to preach the message that foreign trade and investment works. The conservative commentator was at the Evangel Cathedral where fundamentalist Christians, his greatest well of support, gather.
It was Mr Dole's only public

event of the day, typical for a campaign which does not seem able to kick out of first gear let alone achieve the speeds attributed to the BMW-Z3 roadster that graces the latest James Bond movie Goldeneye. The gunmetal grey factory, employing 1,700 now and another 500 within a year, is the perfect manifestation of the new South Carolina and is becoming a mandatory pit stop for all conventional candidates. By contrast, Mr Buchanan had spoken earlier outside a derelict textiles factory in Clearwater, backdrop for many a past protectionist campaign. Mr Dole arrived at shift change time with his own assembly line in tow - two present governors, a former one, a senator, a congressman



Uninspiring Bob Dole (left) and Phil Gramm fly in to South Carolina

and several other political men with the neat white nylon jackets worn by the BMW harny handed sons of toil who now go by the name of

The Dole phalanx inspected the roadster, Senator Phil Gramm of Texas peering into

driver's seat, perhaps looking in suits. They matched well for his lost candidacy. The media pack surrounded them. obscuring all sight lines, and waited for the soundbite of the

> But Mr Dole failed to deliver. Looking vaguely distracted, like a guest at his own wedding, he hardly uttered a

governors past and present and the congressman all waxed at length about the evils of protectionism and were in full flow when Mr Dole abruptly broke it off.

His party then stood in line as the BMW workers - wearing name tags like Dick, Tom, and even non-voting Franz and

was first a manufactor to the section in a major to the grant

One, identified as Brad, tried to engage Mr Dole in vigorous conversation. He said afterwards he was concerned. about social programmes and thought waste and fraud should be assessed before they

were cut to the bone. He reported that the majority leader's response was that there were several congressional committees looking into exactly this

Brad was not impressed with what has become the stock answer of a candidate who prefers to talk in the language of the Senate rather than the

If that event was tepid, an evening of Buchanan rabble-rousing at the charismatic Evangel Cathedral

promised better. The candidate did not speak from the pulpit but from a stage wide enough to accommodate the full Mormon

Tabernacle Choir in single line abreast. The cavernous 4,000-seat modern auditorium, just up the highway frontage road from

the church itself, was barely one-fifth full. By his high oratorical standards, Mr Buchanan was

as flat as a pancake.

He exorcised all his usual demons - Hillary Clinton, abortion, Nafta, Gatt, the UN's "new world order," department of education - and

Mercedes - filed past to shake Minutemen of the Revolution through Custer's Last Stand to Ronald Reagan, but almost as if by memorised rote.

His audience responded well when he pushed their hot religious revival and the UN. but were otherwise quite

They were his crowd for the most part but did not exactly rush out afterwards in their pick-ups and Toyotas on to Interstate 85 blaring their horns with enthusiasm.

The fact is that Mr Buchanan is emotionally down after finishing third, not first, in Arizona on Tuesday. That night he was caught over a midnight dinner in Marietta. Georgia, sitting between his wife and sister, his head in his hands, for once without a

In Spartanburg, he showed he had not yet recovered. He spoke of "if" he became president not "when," and he seemed to be halfacknowledging that his crusade had limits. It reminded some of the self-doubt he had showed in the long months before the first caucuses in Alaska, Louisiana and Iowa

gave him reason to dream. Still, he and Mr Lamar Alexander, the former Tennessee governor, have another pit-stop to make - at the BMW plant. Both might take the roadster for a spin. Of course, Mr Steve Forbes probably already owns several of them.

Row over deaths threatens Mexican reforms

By Daniel Dombey in Mexico City

A row over a ruling exonerating one of Mexico's most controversial state governors from complicity in the killing of 17 peasants by state policemen is threatening moves towards political reform.

Opposition politicians have charged that the investigation, initiated by Governor Rubén Figueroa of the Pacific state of Guerrero after pressure from the country's human rights commission, was a whitewash. Along with a clutch of his highest officials, Mr Figueroa was ruled to have no responsibility for the deaths on June 28 last year of members of a radical peasant organisation of the southern Sierra. The peasants had been stopped on their way to a rally by a contingent of police, which the special prosecutor investigating the case said lacked the training or the ability to deal with such a situation.

On Wednesday the leader of the opposition Party of the Democratic Revolution, Mr Porfiro Muñoz Ledo, said his party might leave talks on electoral and state reform if prosecu-tions against officials exonerated by the inquiry were not begun.

The reform, intended as one of the centrepieces of President Ernesto Zedillo's government, has already been thrown off track by a boycott by the National Action party, Mexico's biggest opposition force.

Opposition politicians charged that the special prosecutor, proposed by Mr Figueroa, lacked the necessary independence and passed over evidence of involvement at the highest levels of the state government. A recently released video shows

that many more police were present at the site of the incident than has been claimed by the state Ruiz Massieu, a former assistant

government. Last August the human attorney general. Mr Ruiz Massieu, right's commission argued that summary executions had been carried out and guns planted at the scene to make the peasants seem the

The special prosecutor, Alejandro Varela, said that he had begun criminal proceedings against 43 state officials, though not against Mr Figueroa and his closest aides.

REFERENCES.

 The Mexican government suffered a setback yesterday when a US federal judge in New Jersey ruled against the deportation of Mr Mario

who is wanted in Mexico on charges varying from illegal enrichment to the use of torture, had already seen four extradition requests from the Mexican government turned down.

In late 1994 he headed the investigation into the assassination of his brother, Mr José Francisco Ruiz Massieu, formerly a senior official of the ruling PRI, and the Mexican government claims that he covered un vital evidence showing the involvement of Mr Raul Salir

Cuba protests at legislation to tighten US economic embargo

US legislation to tighten the economic embargo on Cuba will "severely affect". US-Cuben relations and further set back prospects of solving their long-standing disputes, Cuba's foreign ministry said yester-

President Clinton is poised to sign the legislation after the downing by Cuba of two US civilian aircraft at the week-

Helms-Burton law...will have a severe impact on-relations between the two countries," Mr Carlos Fern-andez de Cossio, bead of the

Cuben ministry's North Amer-lean Department, said. back even further," Mr Fern-lean Department, said. ican Department, said. The bill, named after its conservative Republican sponsors,

Senator Jesse Helms and Congressman Dan Burton, is aimed at trying to block for-eign investment in Cuba as a way of forcing President Fidel Castro to introduce reforms. Mr Clinton has said he will

part of a package of punitive measures imposed by the US gainst Cuba for the shooting down of the two aircraft. "This will mean in political terms that any possibility of solving the problems between Cuba and the US will be set

But Cuba's message to for

eign investors was that they should continue to have confidence in the island. "It should be common sense around the world that one country cannot dictate the trade and economic relations of another."

The legislation could seriously hamper efforts of foreign companies to do business in Cuba by exposing them to costly US lawsuits and denying entry to the US for execunies. It would allow American citizens, including naturalised

property the Cuban government has confiscated over the

Mr Clinton won agreement from Congress that he have the authority to waive the right to sue if the national interest was involved. The waiver would run out in six months, but could be renewed.

Allies of the US, such as Canada, the European Union "extra-territorial" aspects of the new legislation which might seek to block trade and investment by their national

Congested Florida on track to lead US out of the steam age

he US has been a slow starter in the high-speed rail revolution. While Europe have built lines that permit speeds of 200mph or more, most lines in the US are stuck in the steam age, limiting trains to a maximum of

At last, however, the US may be starting to catch up. This week the state of Florida. announced that it had chosen a private sector consortium to: build the first high-speed rall-way in the US - a \$4.8hn system modelled on France's 200mph train a grande vitesse

(TGV). The 319-mile, purpose built railway will comprise two: main routes. The first, due to open in 2004, will cover the 224 miles between Orlando and Miami, and the second, due to open in 2006, will cover the 95 miles between Orlando and

Why Florida? For the simple reason that it has many of the problems faced by other regions that have adopted high-speed rail: a high population density and rapidly worsening problems of congestion

on the roads and in the air. Florida, after all, has one of the fastest-growing populations in the US. Miami is an important business centre for central and South America, and the state as a whole, with its warm climate, beaches, and big enter-

Walt Disney World in and around Orlando, attracts millions of tourists a year from the US and overseas. The state did its sums and estimated that the proposed

high speed railway would have the passenger carrying capacit said, would cost \$6.6bm thus the \$3.8bn cost of building the railway (the balance of the

tainment attractions such as journey. Conversely, people fly-Walt Disney World in and ing out of the state will be able to check in at the nearest railway-station and have their bags automatically transferred to their flight at the airport. The railway line will take

some intra-state passenger traffic from the airlines. But Floity of a 10-lane expressway. rida Overland Express, the Building a new road that size, consortium chosen to build consortium chosen to build and operate the line, says it believes most traffic will be diverted from the roads: and in

A planned link between Miami, Orlando and Tampa will be America's first high speed railway, writes Richard Tomkins

\$4.8bm is mostly for the trains) looked relatively cheap.

One unusual feature of the railway is that it is setting out to work in partnership with the airlines rather than to compete with them. Two of its stations, at Orlando and Miami, will be at the airports, not in the city centres. Another will serve Walt Disney World and

nearby attractions. The idea is that many people arriving at the airports will switch to the railway to take them to their final destination, having booked a through ticket that includes the rail leg of the

any event, airlines will be glad of the relief on congested air-

Even so, several hurdles remain before the line can become a reality. The choice of a route is bound to be controversial: no one wants a high-speed train running through their back yard. And the project could easily come unstuck if cost estimates start

Only two years ago, a muchtouted plan to build a ahead other states will start high-speed railway in Texas accelerating their pace. But collapsed for lack of funds. At Florida's the maverick right

that the railway would ever be viable: cheap road fuel and ever-cheaper air fares meant people would continue to prefer their cars for shorter journeys and the aircraft for longer

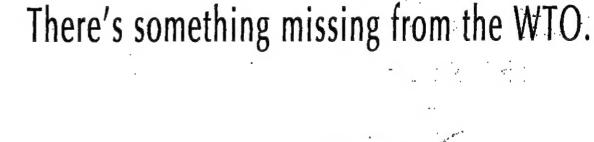
ones, it was said.

The Florida line will be financed largely by a bond big investor in the project, conyears for a total of \$1.75bn. In effect, the state will be paying most of the interest on the bonds, helping reduce the risk

In return, the state will own all the physical assets of the railway except the trains; it will get a share of the revenues once the debt has been paid off: and it will take over the whole of the system when the consortium's 40-year concession exphres...

If the project succeeds, it could provide the model for similar schemes in other congested parts of the US. Many such schemes have been proposed - for example, linking Los Angeles with San Francisco - but none has yet left the drawing board.

The High Speed Rail/Maglev Association, an industry lobbying group, says: "We think once we see Florida moving accelerating their pace. But





There's a place in the World Trade Organization for the Customs Territory of Taiwan, Penghu, Kinmen and Matsu. We are the world's 14th largest trading economy, committed to substantially reducing tariffs, lifting import restrictions and liberalizing trade in services. A pea is missing from the pod.



BOARD OF FOREIGN TRADE, MINISTRY OF ECONOMIC AFFAIRS, REPUBLIC OF CHINA

Sharp fall in imports pushes trade surplus

Britain recorded its first trade surplus for two and a half years with the rest of the European Union in December after imports from the Continent fell

The surprise improvement, shown in official figures published yesterday, came amid fresh signs that demand is faltering on both sides of the Channel, because of slower than expected

growth in Europe. However, the dip has not affected all sectors of the UK economy. For though an export driven manufacturing upturn has been the main focus of the recovery in recent years, coupled with consumer caution, this pattern now seems to be reversing.

Imports of consumer goods and cars, for example, have risen slightly in recent months - providing one hint that shops and distributors may expect consumer spending to grow. Meanwhile, separate banking data yesterday showed that although con-sumer lending only rose at a modest pace in January, demand for mort-gage finance is showing some recov-

However, manufacturing confidence may be weakening, with imports of

turers falling. These types of imports showed the sharpest quarterly fall in the last three months of 1995 for five years. Imports of German goods appeared to be particularly affected.

This trend echoes the surprise fall in UK manufacturing investment at the end of last year - and suggests that some companies may be harbouring fresh doubts about the economic

These doubts come as the UK export growth which drove the recovery two years ago is faltering. The value of exports in December was a seasonally adjusted 0.5 per cent lower

than in November, the Central Statistical Office said.

Measured on a three monthly basis,

in volume terms - a better guide to the trend - exports were 1.5 per cent lower in between the third and fourth

The weakness was not spread equally: sales to Germany fell 3.3 per cent, while exports to Belgium, Holland and Luxembourg are running at record levels. This patchy performance left exports falling more slowly than imports, resulting in a £56m surplus in trade with European Union countries, against a £118m deficit in

all trade deficit with the whole world to £557m in December, unchanged from November. This occurred in spite of the fact that previously published data had already shown that the deficit with non-EU countries had

Non-EU data is published ahead of EU data, although the CSO is now

changing the system. The European Commission issued its first ever harmomised inflation figures, which showed that the UK had the fourth highest inflation rate of any country in the European Union

Sep 1987 BR begins feasibility study for Channel tunnel high-speed rail link route to

Aug 1988 Details of four alter-

native routes published. BR

Nov 1989 BR selects Eurorail

June 1990 Scheme rejected by

Government funding ruled

Mar 1993 St Pancras replaces

Kings Cross as north London

June 1993 Waterloo Interna-

Nov 1993 Bids to build and

May 1994 Channel tunnel

passage through Parliament Feb 1996 Winning bidder cho-

operate for 999 years invited.

department of transport.

out. Eurorail withdraws.

tional station opens.

told to find private partner Mar 1989 BR chooses preferred route through south London

Rifkind upbeat on EU membership

Mr Malcolm Rifkind, the foreign secretary, yesterday promised MPs sympathetic to further European integration that the government's forthcoming paper on the European Union would unequivocally state the merits to the UK of member-ship. In an indication that the government has not been pulled to the Eurosceptic right by Tory MPs pressing for a repatria-tion of EU powers, Mr Rifkind was reported as promising that the government's position "will not be hostile to the EU". In preparation for the Intergovernmental Conference on future European development that begins later this month, the government will issue a white paper on its negotiating the government with issue white paper is insurant position on March 11. According to a cross-party group of MPs, who met Mr Rifkind yesterday, the foreign secretary "assured us that the government's white paper will take an unequivocal attitude that the UK's membership of the EU is a good thing".

James Harding, Westminster

Anger at university cuts

Britain's university vice-chancellors yesterday reacted angrily to the news that they face budget cuts of more than 2 per cent in cash terms next year. They called for a moratorium on further cuts in funding for 1997-98 and restated their threat to levy a £300 registration fee on new students next year: The Association of University Teachers described the fund-

ing cuts, announced yesterday, as "butchery". It said many universities were their towns' biggest employers and claimed the cuts would lead to more than 10,000 job losses. The University of Cambridge was among the seven institu-tions to take the steepest cuts, which amounted to a "worry-

ing" cut in real terms of 7 per cent, it said. John Authers, Education Carrespondent

Investment projects warning

Serious damage could be inflicted on the long-term investi projects of UK companies in emerging markets because of complex proposals in the finance bill, according to accountants Ernst & Young. The Labour party highlighted the issue at yestedray's hearings of the finance bill standing comm E&Y said the new corporate debt regime would mean that companies financing major projects abroad by loans would have to pay tax on the interest as it accrued. Under the old system they could wait until repatriating the interest, or capital repayment, before paying tax.

"These proposals will operate to the commercial disadvantage of UK business and could damage relations between Britain and the emerging democracies," said Mr Jim Marshall, head of the energy tax practice at Ernst & Young. The government recently tabled amendments to the clauses only properties debt but the accountants said they had failed to solve the Jim Kelly, Accountancy Correspondent

More play lottery than vote

More than 40m people play the National Lottery on a double rollover weekend, more than vote in a general election. Camelot told a panel of MPs.

The operator of the National Lottery faced criticism from the National Heritage Committee investigating the Lottery, culminating in the accusation that it had won a monopoly right to "plunder the public." Mr Joe Ashton, the Labour MP. asked: "How can you possibly justify the sort of money you are making in profit?" He calculated that Camelot's predicted earnings translated to a "phenomenal" £106,000 for each of its 600 employees. Mr Tim Holley, Camelot chief executive, promised that Camelot would never make more than 1p in the pound, adding a pledge that Lottery tickets will stay at 21 for at least the next five years.

James Harding

Pensions blow to government

The government suffered a humiliating defeat in the House of Lords last night as peers voted to allow pensions to be split

In a landmark decision that will have substantial consequences for the pensions industry and Treasury income tax revenues a cross-party coalition of neers voted for a Labot amendment to the family law bill allowing occupational and funded pensions to be split at the point of divorce.

Baroness Hollis of Heigham. Labour's social security spokeswoman in the upper house, said the decision was "a great victory" for divorced women, ensuring many would "no longer have to face the prospect of retirement in poverty."

Ministers were adamant that the new clause had "signifi-

cant implications" for the public finances - and did not rule out trying to reverse it when the bill comes to the Commons

California case transferred

Lloyd's of London has succeeded in having a case brought against it by securities regulators in California transferred to a federal court. The California department of corporations is seeking to prevent Lloyd's drawing down on letters of credit provided by lossmaking investors, or Names. Similar actions by securities regulators have been mounted in Missouri and

Box office record broken The opening of three hit films



and Trainspotting - helped se a new record for British cine-mas last weekend with the top 15 films taking £7.6m at the box office, according to Screen International, the film industry magazine. The previous record was £7.2m taken in the weekend when Seven opened in early January. Martin Scor cese's Casino took £1.1m in three days, in spite of being almost three hours long. which meant that most cine mas were limited to one show ing per evening. Sense and Sensibility, starring Oscar nominees Emma Thompson

and Kate Winslet, took £629,152 and Trainspotting took E551,920. The highest grossing film was *Jumanji*, starring Robin Williams, which is now in its second week in the UK and took £2.42m last weekend. Alice Rawsthorn

Channel tunnel Britain finally on right track rail link plan

Transport Correspondent

Long-delayed plans to build a high-speed rail link between London and the Channel tunnel entrance were finally given the go-ahead yesterday with the award of the £3bn (\$4.59bn) contract to the London and Continental Railways consor-

The government, which had originally hoped to build the 68-mile long line without any public sector subsidy, will make a direct financial contribution of £1.4bn as well as transferring ownership of the Eurostar train service and large areas of railway land.

The winning consortium will take over European Passenger Services - owned by the government - immediately and plans a stock market flotation of LCR in the second half of 1997 to coincide with the start of construction work. It has been awarded a 999-year concession to operate train services on the line.

LCR is understood to have bid for nearly £500m less subsidy from the government than its rival, Eurorail, which was led by two construction companies. Trafaigar House and

The high-speed link will allow international express trains to run at speeds of up to 170 mph and cut more than 30 minutes off journey times

gets go-ahead

route and uncertainty over how the project was to be financed, have meant eight years have elapsed since the project was first mooted and high-speed Eurostar services, which started 15 months ago, have been crawling through Kent on conventional tracks.

Even if construction work starts, the line will not open until early 2003, nine years after the opening of the Chan-nel tunnel itself.

The shareholders in LCR are Bechtel, the US project management group and SG Warburg, the investment bank. with 18 per cent each; National Express and Virgin with 17 per cent each; Systra, the French consultancy, with 14 per cent; London Electricity with 12 per cent; and Halcrow and Arup, design engineers with 2 per

The LCR members have committed an initial £100m in equity capital to the project. They have obtained financial commitments from their bankers for considerably more than the additional £150m-plus needed to finance the initial stage, when detailed designs are completed and construction contracts signed, said Mr Nick Wakefield of SG Warburg. The consortium will be

British government in 2000.

By Charles Batchelor

While Britain has dithered over the construction of its high-speed rail link, France and Belgium have pushed

France started building its 208-mile Calais-Paris link in 1990 and completed it in less than three years at a cost of about £2bn (\$3.1bn).

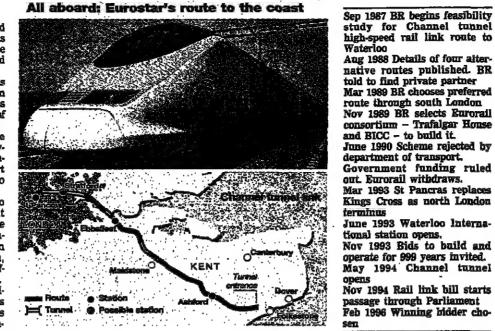
The swift completion of the project reflects the French gov-ernment's commitment to complanning and its willingness to devote large sums to it.

The French engineers also benefited from the fact that once outside Paris the route passes through lightly populated agricultural land and, in the Pas de Calais region, through an area which had suffered severe economic decline. Towns battled for the privi-

lege of intermediate stations on the route. Lille, which has become the hub for cross-Channel services, has developed a modern commercial and retailing centre around its new high-speed station. Compensa-tion for French householders and businesses which lost land lost to the new route is more generous than in Britain. In the UK, by contrast, the

route passes through prosper-ous areas of Kent densely populated with articulate Conservative voters keen to preserve areas of natural beauty. Belgium is constructing a 55mile high-speed link across the

Beigian/French border to Brussels. The first section of track required to spend £2bn of its near the border is due to open own money and have com-pleted two-thirds of the project in June but the line will not be completed until May 1998. In Beigium talks are also by value before any direct cash contribution is made by the Germans about extending the



high-speed lines to Amsterdam

The opening of Britain's Channel tunnel rail link will provide a big boost to Eurotunnel, or to whoever is then operating the Channel tunnel, by reducing journey times. The present travelling times of three hours between London

and Paris and three hours 15 minutes between London and Brussels do not give the train a conclusive advantage over air travel. Many travellers find flights from Heathrow or Gatwick faster and more convenient. But a 30-minute cut in the journey time by rail should persuade many more travellers to opt for the train. These improvements may

sex with its four television stu-

dios has been taken because of

Channel 5 Broadcasting,

holder of the new Channel 5

licence, in which Pearson is a

shareholder, will have its own

its present form, because of the pressing burden of its debts. The company is nearly halfway through an 18-month interest payment moratorium on most of its 28bn of borrowings and still has to persuade its 225-strong banking consor-tium that a financial restructuring is in their interest.

Unfortunately for Eurotunnel, it has itself played a part in the delays suffered by the rail link project. The experience of the tunnel's financial backers has made the City wary of backing grandiose construction projects. The unrelia-bility of traffic forecasts and a host of practical problems have increased fundraising difficulties for the rail link. The government and the

City have become particularly cautious about backing consortia dominated or led by construction groups. Many of the tunnel's subsequent problems have been blamed on the fact that at the start the project was managed by construction companies with no experience of designing or operating a

complex railway system. While the Channel tunnel was financed purely in the private sector, the rail link will benefit from an injection of public funding. After initially pledging not to put any taxpayers' money into the project, the government fudged the issue by saying it could justify support for the domestic com-

Scottish-based

By James Buxton,

Electronics companies based in Scotland, long criticised for missing out on the market opportunity presented to them by the presence of big foreignowned electronics manufacturers on their doorstep, appear to be doing a little better.

It grew faster than total worldwide subcontract spending by the multinationals' Scottish plants, which increased by 39 per cent from £2.1bn to

ers, producing such things as personal computers, microchins and cash machines. But a local electronics subcontracting industry, including UK- Scottish Enterprise based on detailed questioning of purchasing directors from a representative sample of original equipment makers, Scotland does well in assembly work. printed ciruit board assembly, plastics and rubber, cables, sheet metal, packaging and printed material.

value areas such as producing printed circuit boards, keyboards and power supplies, and does not produce displays and monitors, or disc drives. The gap in producing dis-

electronic components such as semiconductors, inter-company Mr Alex Bryce, head of man-ufacturing at Scottish Enter-prise, said the study showed that Scottish subcontractors

But it is weak in higher

plays and monitors will be filled from mid 1997 when a £260m plant being established in Lanarkshire by Chung Hwa of Taiwan starts production. Scottish Enterprise is looking at ways of filling the gap in

The survey findings exclude equipment makers' plants. were increasingly competitive and had scope for expanding

trading with sister plants and all. At the beginning of Janumerger with SBC Cablecomms home of about 15 major US and any increases in in-house capacity within the original ary 1995 the ratio was 22.1 per believes consolidation in the Japanese-owned plants belonging to original equipment makcent and on January 1 1996 it UK industry will continue. Source: UK Box Office

By Robert Corzine

Ofgas, Britain's gas industry regulator, is to get the go-ahead to speed up the second phase of gas competition from January 1 next year, at least three months earlier than the current timetable.

The first phase of gas competition is due to begin on April 29 among half a million households in Devon. Somerset and Cornwall in southern

The proposed extension of the regulator's powers means that 2m con-sumers in southern and southwest England may enjoy discounts of as much as 25 per cent off their present gas bills in the run-up to a general

Ms Clare Spottiswoode, director-general of Ofgas, said yesterday "the omens look quite good" that she would be able to speed up the pro-

Under the government's plan she would also be authorised to bring forward full competition for Britain's 19m domestic gas consum-ers on January 1 1993, rather than much later in the year as currently

Any acceleration of the timetable to full competition would add to British Gas's financial woes. It is expected to face a large-scale loss of gradually opened up. Meanwhile, one of this decade's

most important energy develop-

ments in the UK overcame local objections yesterday when North Norfolk District Council approved the construction of a big gas pipeline between Bacton on the Norfolk coast

and Zeebrugge in Belgium.
The £500m (\$765m) UK-Continent Gas Interconnector, due for completion in October 1998, will allow for the first large-scale exports of natural gas from the UK to mainland Europe. It is one of the final pieces needed to complete a pan-European gas grid that will eventually stretch from Ireland in the west to massive

Russian gas fields in the Arctic. Last year the Department of Trade and Industry declared the Intercon-nector to be a project of strategic national importance. But local resi-Mr Nolan said: "It is good news for

dents of the area along the North Norfolk coast objected to the consortium's plans to locate a gas compression station, containing four big jet engines, on an open hillside near an existing British Gas terminal.

The nine-company consortium behind the project is led by British Gas and includes leading interna-tional oil and gas companies. Among them are British Petroleum and Gazprom, the Russian gas monopoly. Earlier this month Mr Philip Nolan, the managing director of the interconnector, withdrew the controversial proposal in favour of a plan that will place the compression sta-

the UK, East Anglia and all Europe and will be warmly received by all sectors of the industry."

Contracts to build the offshore and

onshore sections of the pipeline will

be awarded in the next few weeks.

according to Mr Nolan. Financing is expected to be in place by the end of About 150 jobs will be created during the construction phase of the project, which is due to start this

autumn. Only six permanent employees will be needed to run the completed Interconnector. Mr Nolan said an export outlet for

UK gas would encourage continuing exploration and development of North Sea gas reserves. He noted that more than 5,000 jobs in nearby

Great Yarmouth are dependent on the southern gas fields off the Nor-

folk coast.

British Gas and other North Sea gas producers see the Interconnector as one of the main ways to eliminate a gas surplus that has dragged down spot prices over the past year. Gas prices in Europe are considerably higher than those in the UK.

The first contract for the export of natural gas from Britain to continental Europe was announced last week by Conoco.

The UK is expected to have sufficient gas reserves to support exports until sometime in the next decade, when the flow of the Interconnector may be reversed to allow imports from Russia and elsewhere.

Appeal for talks in docks dispute

By lan Hamilton Fazey

In two new developments in the five-month Mersey Docks unofficial dispute over 329 sacked workers, the TGWU general union yesterday called for fresh talks, while the com-pany published letters from business, shipping and academic leaders urging the International Longshoremen's union in the US not to block-ade the Port of Liverpool in

support of the sacked men. The company has so far refused to negotiate directly with the sacked men because the dispute is unofficial and followed an illegal strike. It said it would think about

the union's request for new

Mersey Docks and Harbour Company made what it said was its final offer last month of 40 jobs and severance payments of up to £25,000 (\$38,250) for those leaving. The men, who were sacked last September for refusing to cross a picket line, rejected it. have demanded 500 jobs in the port, and the sack-ing of a smaller, replacement workforce. To pressurise Mersey Docks, they are trying to organise a blockade of Liver-

around the world. The target of the sacked men's attempted blockade is Atlantic Container Line, the largest single user of Liverpool's container terminal. After one of its ships was delayed in ACL's headquarters port of Newark. New Jersey last year, the company said it would consider pulling out of Liverpool if the dispute car-ried on. The sacked men want Mr John Bower, the US east coast longshoremen's leader,

pool by sympathetic dockers

to pressurise ACL to with-Mersey Docks yesterday took full-page advertisements in Liverpool's daily newspapers to publish extracts from letters to Mr Bower saying that many more jobs will be lost if ACL pull out, mostly involving other TGWU mem-bers who have worked normally throughout the dispute.

Cable firm to market speedier Internet access high-tech groups

By Raymond Snoddy

TeleWest, the largest UK cable communications company, hopes to introduce a service next year which will offer subscribers vastly increased speed of access to the Internet.

The company which is developing the concept with the two other largest cable operators Nynex CableComms and Bell Cablemedia believes it will be able to increase the speed of access to the Internet by between 200 and 300 times.

A conventional Internet connection service is likely later this year to gauge the market with the special high-speed modems to follow next year. The cable industry believes that providing cost effective connections to the Internet is just one of a series of interactive services that the cable

industry can offer.

Figures from the Independent Television Commission show that the number of cable television subscribers in the UK increased by more than 400,000 during 1995 to a total of 1.32m. The number of telephone lines installed by the cable industry increased during 1995 from 717,586 to 1.419m. The ITC points out that even though not all cable operators are yet providing telephone services in competition with BT and Mercury, the residen-

tini telephone lines installed

Pearson Television, the largest independent producer in the UK, has decided to sell its Teddington studios complex in a deal likely to be worth at least £15m (\$23m). Pearson, the media group

that includes the Financial Times, bought the studios as part of its acquisition of Thames Television for £99m in

ranging from £8m to £15m have been received for the The decision to sell the site

at Teddington Lock in Middle-

The industry hopes that a new £12m (\$18.4m) national

the expected international expansion of Pearson Television, which also includes Grundy Worldwide, makers of programmes such as Neighbours. A central London headquarters is seen as important combined with the fact that modernisation is thought too

It is believed that offers Teddington complex but no deal has been signed so far.

represent 97 per cent of the number of cable television subscribers, compared with only 71.5 per cent a year ago. The growth in cable television subscriptions has come largely from the hugh investment in building new cable networks. The penetration rate - the proportion of those subscribing compared to those

advertising campaign will help to stimulate subscriptions. There is some controversy

about the ITC statistics. The

industry is allowed to ignore homes which are passed by the cable network but which have not yet been marketed.

term for disconnections.

TeleWest, Nynex and Bell Cablemedia plan to try to standardise the definitions on everything from penetration rates to churn - the industry TeleWest, which last year paid £679m for a friendly

It has decided however, not to bid for Videotron, the North American owned cable group which has been put up for sale. Bell Cablemedia, which has a minority stake in Videotron, has an option to purchase.

premises and will not be located in the new headquarters of Pearson Television.

seen improving

cottish Correspondent

Spending by the Scottish plants of companies such as Compaq, International Business Machines and AT&T on subcontract work in Scotland increased by 53 per cent in the year to mid-1995, rising from £402m (\$615m) to £615m

£3bn. Scotland's share of this spending was 20.6 per cent compared with 18.8 per cent in the previous year. Scotland's silicon glen is the

owned companies, has been slow to develop. Gas regulator to speed up introduction of competition

W.A. WYBCH

warning

man vote

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issues, particularly PFI, market testing, contracting out and issues, parucularly Pri, market testing, contracting out and privatisation. Knowledge of formal project management techniques, particularly PRINCE, is essential, as are excellent communication and management skills. This position will involve considerable travel across the UK, and you should, therefore, have a clear driving features. a clean driving licence.

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For an application form and information pack, please contact For an application form and information pack, please contact Slan Evans, Recruitment Servicas, IIM Prison Service, Room 425, Cleland House, Page Street, London SWIP 4LN, Tel: 0171-217 6483 (office hours) and 0171-217 6357 (24 hour answerphone). Fax: 0171-217 6612. The closing date for receipt of completed applications is 9 March 1006. applications is 8 March 1996.

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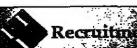
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RECRUITMENT

JOBS: The introduction of flat management structures can be beneficial to companies, but in practice this is not always the case

Life after restructuring

he consultants' advice has been followed precisely. The restructuring has gone ahead and several layers of management have disappeared along with their incumbents. How are the remaining employees shaping

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Linda Holbeche, research director at Roffey Park Management Institute studied career development in 25 UK public and private sector organisations all of which had introduced flatter management structures. She found that the surviving employees could be divided into winners and los-

The winners are often entre-preneurial spirits who are pragmatic about change and good at influencing people. By and large these are the experienced people who challenge themselves and the status quo to find a better way to do

things," she says.
"They have a strong sense of who they are and what is important to them. Status may matter less to these people than the opportunity to play a significant role."

In contrast, Holbeche's so-called losers are disillusioned employees with low morale. They blame their lack of promotion prospects on factors outside their control such as luck, fate and age. Holbeche found two main groups which struggled to come to terms with a changed structure and its implications for career development - the young, ambitious new recruits and the experienced, mature senior managers whose job had been downgraded in the restructur-

While businesses may want to hold on to those referred to as "winners" by Holbeche, the often piecemeal or ill-thought out ways in which some reorganisations are carried out means that many of these people are among the first to leave. This is because the winners can soon become disillusioned if the old-style "command and nand and control" nanagement is still in place. Out of 26 individuals who

were placed in the "winner" category by managers ques-tioned in the study, 15 had left their employers shortly after reorganisation, Holbeche said. One of them, returned as a consultant to her former employer, earning three times

for just three days' work each

One noticeable change for the employee who becomes a contractor or consultant, says Holbeche, is that the boss-subordinate relationship with former managers changes. "In the new relationship what the for-mer employee has to say is taken more seriously," she

Holbeche found that some managements were paying a price for restructuring in demotivated staff and poor performance. Part of the problem, she says, is resistence to change by entrenched manage-

Holbeche says many managers were poor communicators often pivotal to change programmes. "In some cases, managers felt the victims of change rather than the drivers of change and that they were likely to be communicating their own negative attitudes more strongly than the organi-

been a "strong trend" away from command and control management to more open management, but that companies have not changed as much as some management rhetoric

occupational psychology and Kate Mackenzie Davey, senior research fellow at the Department of Organisational Psychology, Birkbeck College, University of London, are carrying out their own research into the impact of organisational change on careers. The Careers Research Forum, a group of 36 companies is helping to fund

the work. Guest and Davey have found that the degree of change has been overstated and that many restructuring programmes have proved to be transitional arrangements, leaving traditional hierarchies largely

They say that in many cases the number of grades for a job have been reduced, but the

junior grades. "It was notable that top management had sometimes been protected from cutbacks," they say. In their study, one human resource manager complained that flatter structures meant that the David Guest, professor of promotional step was often too steep for most people, resulting

in more movement in and out

of the company. staffing review at Nestle resulted in the intro-A tie resulted in the duction of greater flexibility, team-working and project work. The company rejected other suggestions such as self-development, mentoring and career workshops. Another company in Guest

and Davey's study opted to reintroduce a hierarchical structure to give employees more time to learn new skills on the job under management

Guest says: "Companies were worried that they had not done many of these structural things they were reading about

Holbechie says there has cuts are often deepest for and they found it quite comforting that they were not

> Guest and Davey say that many companies have introduced flatter structures despite positive attitudes to the hierarchical structures that previously existed.

It seems some companies struggle to embrace large-scale organisational change while others are more able to adopt gradual change tailored to specific needs. There is another category of

company, however, which has successfully introduced largescale change and has grown with flatter structures. Holbeche believes that many of those companies which have implemented changes most successfully are those which have managed to provide a status free environment. She says, however, that

many managers who at first seem anxious to introduce flatter structures, usually for costcutting reasons, are unwilling to confront the implications of

company, seeks exceptional people.

change themselves, for exam-ple, parting with the BMW in its personal parking spot, the large, comfortably furnished office, the finely tailored suit and the personal secretary.

First Direct and Asda have successfully implemented changes because they have directors who are committed to making it work.

The Rover Group has worked bard to introduce single status throughout the company, although it has been particularly difficult, for example, to persuade white collar workers to join the assembly line.

Change which requires managers to relinquish status perks may seem trivial but is important not only to other employees who want to see evi-dence of senior managers taking part in the process, but to the senior staff themselves they must face up to the psychological gear-change necessary to look at careers in a horizontal rather than vertical

Holbeche found that some employees had difficulty accepting sideways moves. Others, who had built up files of knowledge during their time in a company were reluctant to

leave this behind and start again in another area in the company.

Managers were also sometimes unwilling to release experienced people to other departments. She says that secondments are a useful way of stimulating lateral moves.

Increasingly research suggests that restructuring is more difficult to achieve than at first believed, that most of the changes that have passed for restructuring have been cost-cutting programmes triggered by recession, and that many businesses can in fact continue perfectly well without radical change.

Only those companies with committed managements who are visionary enough to change by example can hope to make the transformation a suc-

Coreer Development in Flatter Structures by Linda Holbeche can be obtained from The Learning Resource Centre, Roffey Park Management Institute, Forest Road, Horsham, West Sussex RH12 4TD, tel 01293 851644, price £42.

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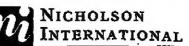
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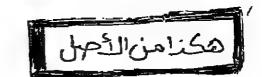
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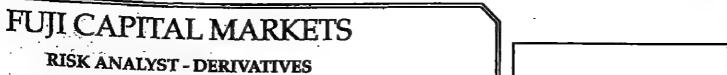
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are launching a break-through electronic media technology for different advertising applications in live event broadcasts. Our clients are major international companies in the brand consumer and durable goods industries and financial services. To build this new business gether with our worldwide affiliate marketing group we are seeking the following persons at our W operations in Amsterdam (NL):

GENERAL MANAGER

The candidate will have successfully managed a fully integrated international sales/marketing organization for brand consumer/durable products. With his/her background in brand product marketing, the candidate can effectively integrate client sales/marketing needs with technical and product servicing requirements. Care for effective planning, accounting, control systems and back office operations demonstrates his/her understanding of the importance of these

Candidate is 37-45 years old and fluent in English. Knowledge of French, Spanish or Dutch would be advantageous.

Int'l Bond Credit Analyst ich, Ayer & Wood, a Bosico-tweet. counsel with \$30 billio

ARE CRITT USEA

Fex: 617-457-5069. k

MANAGER

Local Marketing & Distribution Network

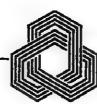
The candidate has sales and client account management experience in brand consumer/durable goods industries. He/she has solid marketing and organizational skills to develop and supervise a multi-country brand sales & distribution network with local affiliate operations and/or with interested independent parties. The network will consistently market the electronic media systems in different countries for application in local event broadcasts.

Candidate is 30-37 years old, fluent in English and with good knowledge of French, Spanish or German.

> We offer a very competitive remuneration package. Please send complete documentation to: Chiffre - Nr H212-80887, Ofa Orell Fussil Werbe A6, Postfach: 4638, 8022 Zurich/Switzerland.

Experienced FX Dealer

For London desk of Chicago futures firm to work overnight (10.00pm 8.00am) Ideally the candidate will be experienced in EFP's as well as spot trading. Please send your cy in confidence to: Box A5299, Financial Times One Southwark Bridge. London SE1 9HL



القركة العربية للاستهارات الجروليية

ARAB PETROLEUM INVESTMENTS CORPORATION

APICORP is an inter-Arab Corporation established by the member states of OAPEC to finance and invest in petroleum sector projects and industries. Total assets exceed U.S.\$1000 million.

> The Corporation, based in Al-Khobar, Saudi Arabia now wishes to appoint a high caliber individual for the following vacancy:

Senior Industrial/Petroleum Economist

Requirements:

- Experience in modern investment appraisal, preparation of pre-investment studies, project economic and financial analysis, gained within the petroleum industry, or in an internationally oriented financial corporation with exposure to petroleum/ petrochemical business.
- Ability to prepare reports of publishable quality in a field of relevance to the petroleum/petrochemical industry - e.g. papers on petroleum economics in a macro-economic setting for Arab and international specialised conferences.

Aged 35 - 40 years, the ideal candidate should have a relevant doctorate degree with a minimum of 5 years pertinent experience, or a Master's degree with a minimum of 10 years of similar

Proficiency in English combined with good analytical and writing skills is essential, as is the ability in using PCs for developing relevant models. Knowledge of Arabic will be an advantage. The successful applicant may be required to travel frequently.

Appointment will be for an initial 2 year contract, renewable. In addition to a rewarding tax free salary payable in Saudi Riyals, there is a comprehensive benefits package which includes free fully furnished family accommodation, transportation and education allowances, medicare, relocation expenses and a contributory retirement scheme.

Applications in strictest confidence, giving relevant details of personal and career history, may be sent to:

> The Administration & Human Resources Manager **Arab Petroleum Investments Corporation** P.O. Box 448, Dhahran Airport 31932 Saudi Arabia

Finanzanalyst

PRICOA Capital Group Limited ist fährendar europäischer Spezialist im Bareich Mazzanine Finanzierungen und Beteiligungskapital. Speziell für deinsche Mittelstandsunternehmen wurde eine innovative Langfristlimanzierung mit eigenmittelersetzendem Charakter entwickelt, die Schule macht, das Prudential Private Placement of Capital oder PPPC. PRICOA Capital Group Limited ist eine Tochtengesellschaft von The Prudential Insurance Company of America.

Aufgrund sich stark ausweitender Anlagesktivitäten möchten wir das Anlagepersonal in unserem Frankfurter Büro varstärken. Wir laden auf diesem Wege zu Bewerbungen von Kandidaten ein mit überdurchschnittlichen lochschulegamina und mindestens zweijähriger Berufserfahrung im Bereich Finanzanalyse sowohl auf der Fremd wie der Eigenkapitalseite. Wir stallen uns vor, daß mese Erfahrung am besten bei einem Wirtschaftsprüfer, einer Investment Bank, einer Kapitalbeteiligungsgesellschaft oder einem vergleichbaren Spezialinstitut erworben wurde. Perfekte Behertschung der deutschen und englischen Sprache in Wort und Schrift ist weitere Voraussetzung

Wir bisten eine echte Herausforderung in einem kleinen, internationalen Team allerersten Kalibers. Der Kandidat wird innerhalb eines Dealtearns von typischerweise drei Mitgliedern für die erschöpfende finanzielle und geschäftliche Analyse potentieller Beteiligungsunternehmen verantwortlich sein. Ein alternativer, flexibler Einsatz in unserem Londoner Schwesterbürd wird von uns als Pluspunkt gesehen. Darüber hinaus bieten wir größere Möglichkeiten der Upernahme von Verantwortung im Umgang mit Kunden und der Gestaltung des Geschäfts als in einer Großorganisation darstellibar. Die Position ist so dotiert, daß sie für Spitzenkundidaten attraktiv sein solite.

Schriftliche Bewerbungen mit ausführlichem Lebenslauf sind in englischer Sprache zu nichten an:

PRICOA Capital Group Ltd Melemstraße 2. 60322 Frankfurt/Main

A Lift Company, N.E. LONDON based, has a vacancy for an:

ACCOUNTS

The successful candidate will be responsible for all matters relating to the accounts and linearcial management of the company, leading a team of three people, coordinating with other departments and reporting its the Managing Director,

Suitable candidates should be educated to degree level in SUSMESS ADMINISTRATION and will have:

 3 years' EXPERIENCE in accounting and/or auditing sidils.
 Excelent interpersonal and team working sidils. Strong analytical and problem-colving skills.

Good knowledge of SPANISH.

Familianty with PC applications.

in return the company can offer career opportunities.

Applicants are invited to send their Curriculum Vitue to HUMAN SAN SEBASTIAN (SPARI) by fac (00-04 43 29 37 79) before the 2nd of Mesch.





We are an international bank operating from our German headquarters in Hamburg since 1972. Our activities include European and non-European countries. A large part of our profitable business refers to international transactions. For reasons of succession we are currently seeking the

Head of Foreign-Exchange and Money Dealing Dept.

and are offering a position with good prospects.

Concerning money market activities you will be responsible for liquidity control, investmentplanning and decisions in lending and deposit business, purchase and sale of own securities as well as for buying bills of exchange for utilizing the rediscount quota at the Bundesbank. The service you provide within our toreign exchange business must be reliable for our customers as well as profitable for our bank. Profound knowledge of spot and future transactions is a must.

For this demanding position we expect several years of relevant job experience and a good knowledge of German and observance of the principles of the German Moneylenders' Act.

Your field of duties will be supported by EDP and Reuters. Our modern office building is located in the city of Hamburg.

Remuneration will be in line with your qualification and German market rates.

If you are interested please send your complete application to box: A5290 Financial Times, One Southwark Bridge, London SE1 9HL.



The EIB, the financial institution of the European Union, is currently seeking for its Directorate for Lending Operations in the European Union at its headquarters in

Lending/Credit Specialists (m/f)

European Investment Bank

> A career in the heart of Europe



Qualifications:

good university degree in finance/economics;

several years' professional experience, acquired in a CREDIT DEPARTMENT OF A BANK, FINANCIAL INSTITUTION OR RATING AGENCY, in examining and carrying through credit operations (preferably long and medium term lending), in particular risk assessment, analysis and carrying through Gold operational and competitiveness, financial position, prospects and investment decisions; and assessment of company performance and competitiveness, financial position, prospects and investment decisions; and assessment of company person conditions and security structure; \square experience in assessing the credit worthiness of negotiation and definition of loan conditions and security structure; \square experience in assessing the credit worthiness of negotiation and definition of loan conditions and security structure, a experience in assessing the credit worthiness of Banks and financial institutions, with good knowledge of the banking industry and its specific risks; I knowledge of quantitative tools and ability to make qualitative judgements on credit risk and guarantee; I experience and apritude in quantitative tools and ability to diaft clear and concise financial reports and direct contact with clients and negotiation of contracts; \(\sigma\) ability to draft clear and concise financial reports and

recommendations; I sufficiency in computer applications. Languages: excellent knowledge of English or French and a good command of the other is essential. Knowledge of other

Community languages would be an advantage. The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. It is committed to a policy of equal opportunities and applications for these posts are sought from both men and women.

Applicants, who must be nationals of a Member Country of the European Union, are invited to send a detailed curriculum vitae, either in English or French, together with a letter and photograph, quoting the reference, to:

EUROPEAN INVESTMENT BANK

Recruitment Division (Ref. PM 9610)
L2950 LUXEMBOURG. Fax: (00352) 4379 2545.

Applications will be treated in the strictest confidence and will not be returned.

MEDIA PROJECT MANAGER IN SARAJEVO, BOSNIA

es, a U.S. based non-profit is seeking a Project Manager for the Sarajevo Internews office. The chration of this position is expected to run from 1 April 1996 rough 1 February 1997. Previous experience massiging or coordinating grants programs is essential. The project mission involves supporting independent, non on and radio stations in Bosnia and training their personnel in journalism and station managers

The project manager position involves coordination of all project related activities, management of the office and supervision of local staff (about 4 people). financial oversight and reporting on grants expenditures, coordination of visits to Bosnia by individuals, coordinating training seminars to be held in various cities, the importantion of equipment and the distribution of videotapes and other resources throughout the country, as well as possible travel to conduct research throughout

Applicants with experience in broadcasting or journalism will be given preference, experience in Bostia or the former Yugoslavia, or knowledge of the language, will be considered an important asset, as will knowledge of Russian or Czech. The ability to maintain good working relationships with all ethnic groups in Bostia is

Please respond with resume to: Key Elewski insensews Network PO Box 4446 Arcata, CA 95518 USA (707)826-7136 (fax) kny@internews.org hatemews Network is an equal opportunity employ

GRADUATES 23+

mined to the highest possible standar with also of full profit participation within 2/3 years. For further details, as STEWART CUNNINGRAM 9171 248 \$132

APPOINTMENTS ADVERTISING

ears in the UK edition y Wednesday & Thursday edition every Friday. For further information please

Toby Finder-Crofts +44 0171 873 3456

A fast-expanding Group, both in France and internationally, occupying a leading position in the world of finance, seeks:

Brokers specialised in IRS. FORWARDS. TREASURY BONDS, FUTURES

Tou will be the essential element in L commercial and technical development in the team dealing with these products.

Aged around 30, you will already have successful initial experience in this field, ideally in a bank or with a financial intermediary.

Your strong commercial and relationnal potential. along with your capacity for reaction and speed will be decisive elements to succeed in this post. The position may be based in Paris or London.

Send your application to The Financial Times PO BOX N. A5283 - Number One - Southwark Bridge - London SE1 9HL.

Finance Director

General Insurance

Central London

c.£70,000 + car etc.

 Our client is a long established and successful insurance company, transacting most classes of general insurance business with annual premium income of around £200m. Following the recent implementation of a sophisticated computer be advantageous. system, the company now has considerable potential for significant development and growth.

Reporting to the Managing Director, the Finance Director will take full responsibility for managing the finance function and will play an active part in the overall running of the business. An initial key task will be to deliver more detailed and pertinent management information to assist with the effective management of the overall business.

Candidates should be graduate calibre qualified accountants with proven experience of managing a pro-active finance function, coupling sound technical skills with entrepreneurial flair and a positive outgoing attitude. Suitable individuals

should already have worked within the insurance sector and have strong analytical skills. Experience of corporate finance, mergers and acquisitions and tax planning would

■ The chosen candidate will have strong team skills and be able to relate to people at all levels, both within the company and externally.

This position represents an excellent opportunity for an ambitious and highly motivated individual who has the enthusiasm and drive to take the business forward.

■ Please outline your suitability for the appoint and send a curriculum vitae, including current remuneration and quoting CA708, to Carrie Andrews at Ernst & Young, Management Resourcing, Rolls House,

II ERNST & YOUNG

FINANCIAL CONTROLLER

OUTSTANDING OPPORTUNITY FOR BUSINESS FOCUSED ACCOUNTANT

NORTH WEST

c. £60.000 + BONUS + BENEFITS

- · Part of a major European group, this market leading financial service sector organisation is set to play a key role in its parent group's plans for further expansion. With a turnover of c.£400m, its strong profit performance reflects a focus on quality and customer service, and continuing investment in leading edge
- Reporting to the Finance Director and with strong links into the business, your brief is to ensure the function is seen to add value and contribute to overall business performance.
- Wide ranging and challenging role covering planning and performance analysis, statutory accounting, financial control, cash management and treasury.

ic apply in writing quoting reference with full cureer and salary details to:

Susen Ryder Whitehead Selection Limit Tel: 0171 290 2043

- · Probably in your thirties, a qualified accountant, with exposure to progressive financial management practice gained with a blue chip company. Commercially focused with a record of enhancing business performance and efficiency.
- Previous service sector experience is not a prerequisite, but must be able to demonstrate empathy with a service led business which combines commercial success with a rigorous approach to quality.
- Excellent interpersonal skills: a direct and open style with the ability to lead and motivate others, as well as influence and persuade at all levels. Proactive, with the drive and enthusiasm to continue the process of change, and the ambition to further your career within the Group.

Whitehead SELECTION

Operational Review and Consulting West London

£28-£36,000 + Outstanding Benefits Package

SmithKline Beecham (SB) is one of the world's most management levels, with up to 40-50% innovative and highly respected healthcare billion, pre-tax profit of £1.36 billion and a series of strategic acquisitions and disposals completed during the past 18 months, the company has made significant progress towards its goal of leadership in human healthcare.

SB currently seeks two additional finance professionals to join a small highly visible multidisciplinary operational review and internal consultancy team. In order to support the acheivement of business objectives and to increase the company's competitiveness, the department advises management on the effectiveness of financial controls and provides an internal consultancy service. You can expect a broad grounding in commercial issues within a complex international business, working as part of a team of individuals from financial, manufacturing and scientific backgrounds. The opportunity will span all business activities and provide exposure to the

company's worldwide operations at the most senior

international travel. The department is acknownedged as an excellent entry point for outstanding individuals wishing to develop a varied career within a world class company. Recent career development from this function has been into both finance and non-finance roles.

The successful candidates will be qualified ACA's with 1-5 years PQE and have excellent personal qualities and strong commercial focus. Dutstanding communication and organisational skills are a pre-

in addition to an attractive basic salary, benefits will include a performance related bonus and exceptional large company benefits package.

Interested applicants should write in the strictest confidence to our retained consultants David Craio or Brian Hamill, at Walker Hamill Executive Selection, 103-105 Jermyn Street, St James's, London SW1Y 6EE, forwarding a brief résumé quoting reference DC1904.



Financial Controller

Manufacturing

To £35,000 + Car + Benefits

Manchester

Business role for commercial, qualified accountant in fast-moving, competitive sector. High degree of autonomy, working closely with Business Director.

THE COMPANY

- Profitable subsidiary of industrial, multinational, I.2bn turnover pic.
- Market-leading manufacturer of components for
- automotive sector; 350 employees.

 Ambitious growth plans; substantial investment in new
- THE POSITION
- Provide complete financial service for business. Advise and actively participate in development of business
- strategy. Evaluate strategic options. ◆ Implement major new business systems. Challenge
- Manage budgets, stock levels, costings and capital QUALIFICATIONS
- Qualified accountant with minimum 4 years' PQE; manufacturing sector.

 Commercial, astute and able to operate in
- multifunctional management team. Able quickly to achieve credibility across the business
- Combination of strategic and hands-on skills. Excellent interpersonal skills and business judgement.

Please send full cv, stating salary, ref LD60204, to NBS, Yorkshire House, Greek Street, Leeds LSI 55X



Chief Financial Officer

International Food Group Pic

c.\$150,000 + Benefits + Relocation Assistance

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Exciting career opportunity for commercially-minded and ambitious manager as most senior finance representative in US subsidiary. Part of US executive team at heart of strategy creation and delivery.

THE COMPANY

 Imultimillion turnover Group. Varied and marketleading global business

- Sustained record of growth in revenue and profit.
 Acquisitive culture. High emphasis on product and
- service quality.

 US subsidiary, \$160 million turnover and integral part of overall group. THE POSITION
- Key part of senior management team responsible for design and implementation of strategy for US and international development. Report to and work closely
- Full responsibility for financial management and control of subsidiary businesses in line with US
- with US Chief Executive.
- Provide management information to identify and respond to problems and opportunities.
- Manage and motivate team of direct and indirect reports, c.25 in total. Considerable travel to view existing international ventures and potential new ones. QUALIFICATIONS
- ◆ Preferably aged early to mid 30s. Qualified accountant with substantial experience in both UK and US.
- Ideally food or related background.

 Senior level exposure; accustomed to influencing and delivering business strategy. Experienced and skilled at
- people management.
 Forward thinking and commercially dynamic. ator. Ambitious, with potential to grow with the group long term.

Please send full cv, stating salary, ref LG60209, to NBS, 54 Jermyn Street, London SWIY 6LX





Birmingham . Bristol . City Edinburgh . Glasgow . Leeds . London Manchesser . Slough . Madrid . Paris

GROUP MANAGEMENT ACCOUNTANT Crawley, West Sussex c.£33,000 + Car + Bonus



Edwards High Vacuum International, part of The BOC Group, is the world's leading supplier of vacuum and advanced technology products to the semiconductor industry. In addition, it is a major supplier of a wide range of vacuum systems and components to the scientific instrument, pharmaceutical and chemical markets. Following extensive growth an outstanding opportunity has arisen for an ambitious and experienced management accountant to join their international finance team.

THE COMPANY

- BOC division specialising in high technology
- vacuum products ■ Over 2000 employees worldwide
- Operations in the UK, USA and Par East
- Significant growth in recent years

- High calibre graduate from a traditional university
- CIMA, ACA or ACCA qualified
- 5-10 years management accounting experience preferably gained in a blue chip organisation
- International experience preferable ■ Strong interpersonal skills
- Track record of using and developing reporting systems

- Responsibility for all aspects of the international management accounting function
- Financial analysis of sector performance by product. territory and application
- Budgeting, forecasting and business review
- High level board and senior management liaison

Please contact our advaing consultants James Heath or

David Howell at Executive Match on 0171 872 5544, or write enclosing your CV quoting reference E/352 to them at:

EXECUTIVE MATCH Northumberland Avenue Trafelgar Square, London WC2N 5BW (Peac 0171 753 2745)

(All direct applications will be forwarded to Executive Match)



HEAD OF INTERNAL AUDITS

Fast Track Career Opportunity

Our client is a household name with a global reputation for excellence. Following an internal promotion they seek to appoint a Head of Internal Audit who will provide independent support to the Chief Executive and the Audit Committee in the ongoing development of best practice financial and operational control.

Central London

- Key responsibilities will be to: Plan and implement reviews and audits of business, financial and operational systems.
- presenting as appropriate recommendations for improvement.

To £60,000, Car. Bonus

Assess and evaluate operational risks from a financial perspective.

 Lead and coach a highly motivated audit team and further develop its strong reputation Candidates will be graduate Accountants with senior level audit experience gained in an

Provide a 'hands on' consulting resource to individual businesses and senior line management.

international accounting firm. Strong analytical ability and commercial acumen combined with outstanding leadership and communication skills will be essential. This is a high profile role, requiring interface at all levels of management and will provide substantial opportunity for fast track' career development on successful completion of the role. Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson

or Mark Hurley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/16022/FT.

Hoggett Bowers





FINANCE DIRECTOR

The UK's premier Conference Centre is seeking a Finance Director to head its Finance Section.

Responsible to the Chief Executive. This diverse and challenging position requires a multi-talented individual with a flexible approach to assume total control of the Centre's financial function. Specific responsibilities will include proactive and innovative financial mana

As the senior financial executive a further and equally important aspect will be your contribution to the general business ent of the organisation, both in support of the Chief Executive and through close liatson with other Directors in the

Applicants must be qualified accountants with at least three years directly relevant management accounting experience at a senior

level, in a small to medium size service orientated organisation. Excellent communication skills and the ability to lead and motivate your team are essential.

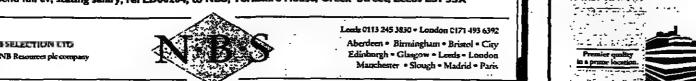
This appointment will be for a five year period.

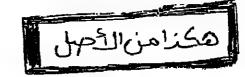
Salary circa: £35,000 (depending on experience and qualifications For a job description and an application form please contact:

Miranda Abrey, HR Manager, The Queen Elizabeth !! Confer Broad Sanctuary, Wesn London SWIP 3EE

Tel: 0171 798 4076 Fax: 0171 798 4033

The closing date for applications is Friday 15 March 1996. The Centre is an Equal Opportunities Employer STRICTLY NO AGENCIES







Group Accountants

Chertsey, Surrey

to £40,000 + Car + Benefits

Compass Group is a fast growing food service company which has achieved a world leading turnover of circa £2.5 billion from a floatation only 7 years ago; it is undoubtedly a success story in strategic development. This has been achieved by adopting a strategy of international expansion, an assertive acquisition policy, combined with the use of famous franchised brand names to back up strong market segmentation. Compass Group now employs over 100,000 staff in 40 countries and holds strong market positions in the UK. Continental Europe and the USA, in addition to small developing businesses in Eastern Europe, South America and Asia. As a result of this growth, plus a significant acquisition in Continental Europe in late 1995, new positions have arisen for highly able accountants to join a small and highly effective head office team, giving significant exposure to senior executives across the group.

Financial/Planning Accountant

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- Production of group consolidated accounts at period ends.
- Control of group planning process by production of consolidated budgets, forecasts and strategic plans
- Production of group management accounts. involvement in group cash management and forecasting.
- Economic forecasting for the group's principal operating countries. Involvement in head office installation of new, group wide, accounting software.
- Candidates will be graduate qualified accomments, trained in large organisations, 1-4 years post qualified, with a strong academic
- background and highly technically able. Salary indicator £30-35,000. Reference:]277301

Only high achievers need apply. Candidates will be in the early stages of a progressive career, not necessarily based within the UK at present, and will wish to take up future career developm opportunities that will arise in the group. As the head office of a multi-national business, language speakers will be able to use their skills both in these positions and in potential postings abroad. Offices are based in Chertsey, Surray, which is commutable with ease by rail or road.

If you feel you have the ability to undertake these challenging roles in a highly progressive environment, send your curriculum vitae, quoting the appropriate reference numbers, to jonathan Ross at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

- Management Accountant Analysis

 Review and analysis of monthly group management accounts, strategic plans, annual budgets and quarterly forecasts.

 Control of group capital expenditure including appraisal of investment proposals, post investment reviews and development of
- Strategic multi-currency work including maintenance of the group's hedging policies, liaison with the Group Treasurer.
 Involvement in planning and execution of intra group funding including dividend and loan policy.
- Candidates will be graduate qualified accountants or equivalent, 2-5 years post qualified, highly technically able, with strong interpersonal skills and backgrounds in large, and probably international, concerns. Salary indicator - £35-40,000. Reference J277299.

International Finance

£35,000 to £45,000

+ Car + Bonus + Benefits

> Hi-Tech Multinational

Thames Valley



Our client is a vibrant multinational Corporation with substantial business interests spread throughout the world.

The Group designs, manufactures and sells leading edge LT, networking products and has consistently achieved dramatic sales and profitability growth through policies of new product innovation, aggressive marketing and acquisitions. The company is one of a few leading players in the global networking industry, which clearly provides exceptional opportunities for rapid expansion.

Two new senior finance positions have now been created to support future development of the worldwide Manufacturing and Logistics function.

Manufacturing Controller

- ▲ develop strategic plans to ensure that optimum product sourcing arrangements are achieved for each international market
- ▲ review and control product margins ▲ coordinate budgets and forecasts at five international
- A support major manufacturing investment initiatives, such as
- new factories and acquisitions A evaluate "make v. buy" decisions and assist in negotiation of supplier contracts
- ▲ provide decision support for senior management.

Senior Financial Analyst

▲ develop globally integrated operational plans to ensure optimum supply chain efficiency

▲ design consistent manufacturing performance measurements and controls, and install product costing systems at factory

▲ lead the implementation of a new integrated financial and business LT, system into the Manufacturing and Logistics

A create new cost analysis models to identify areas for profit improvement

▲ provide decision support to senior management.

Suitable candidates for these roles will be graduate calibre qualified accountants, probably aged 28 to 35, with experience of manufacturing and costing. A background gained in a hi-tech, consumer goods or other product based organisation is preferred. In addition, you must be commercially aware, proactive, adaptable and able to thrive in a fast moving environment.

Applicants should write, quoting reference number 23225, and enclose a Curriculum Vitae with details of current salary, to: Peter Ward ACMA, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.

FINANCE DIRECTOR (designate) **Manufacturing**

Surrey/Hants Borders c.£37,000 + Car + Benefits

Our client is a rapidly expanding company manufacturing high technology engineering products. Following a strategic review, it has been decided to create this new position with an appointment to the Board envisaged within 6 to 12

The role is varied but responsibilities will include leadership of the finance team, the management and enhancement of the IT function and the development of management information systems.

Reporting to the Managing Director, the successful candidate will be a qualified accountant, preferably a graduate, aged 35 to 45, with excellent IT experience gained in a manufacturing environment. You will have first class interpersonal skills, be commercially astute and display the energy and enthusiasm that will belp to drive the company

Please send your C.V. with salary history to Chris Carr, Fraser Russell, Chartered Accountants, 4 London Wali Buildings, Blomfield Street, London EC2M 5NT, quoting ref: cc/f9605.

INTERNAL AUDITOR

BRUSSELS HEADQUARTERS

- AGE 27-35

EXCELLENT SALARY PACKAGE

Our client is a leading American machinery manufacturer with a worldwide turnover of USD 14 billion and employs more than 50,000 people.

its European Headquarters are now looking to recruit 2 internal Auditors, who would Reporting to the European Internal Audit Manager, your key responsibilities will

plenning and conducting operational sudits to assess the adequacy of internal con-

trois for the enterprise; developing audit programs and improved audit techniques, Implementation of improved gudit technology strategies.

The ideal candidate will have a university degree in Applied Economics (or equivaient, e.g. CPA, ACA...) with at least 3 years experience in an audit role (internal/external).

He/she has strong interpersonal skills with an analytical mind and is able to work independently. He/she is willing to travel throughout Europe. Fluency in English is a must and the successful candidate will have the best mix of some European languages such as French, German, Italian, Spanish and Dutch. Finency in an Bastern European language such as Russian would be a plus.

For this challenging position, our client offers an interesting salary package including a number of fringe benefits as well as exciting opportunities within an international

Candidates can call Jean-Marc Benker at Robert Walters Associates, on 32.2.511 66 88 or send him their detailed curriculum vitae with a motivation letter on fax or 32.2.511 99 69 or at the following address : Robert Walters Associates, Average Louise 66

ROBERT WALTERS ASSOCIATES



FINANCIAL DIRECTOR

MIDLANDS

The Company

 Premier International branded Sports product division.

■ World wide, in market, turnove

in excess of £200m.

■ UK Manufacturing site involved in European Selling and Distribution.

■ Management of licensee and distributors worldwide. ■ Continued planned growth through

organic growth and joint ventures.

Key member of management team. ensuring continuous improvement in profitability and tight control of working

■ Ensure strong financial management input to business decision making.

NIGELSHOPKINS

 Responsible for the financial and management accounting function to ensure the provision of timely and accurate information both at local and group level.

■ Qualified Accountant with manufacturing experience, who currently holds a senior

financial position. ■ Drive, commercial acumen, man

manager and team player. ■ Excellent career prospects within this

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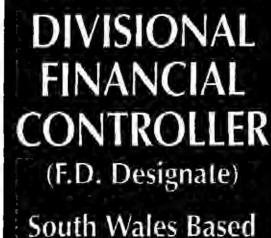


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HARRISON

🕇 he announcement earlier this week by Chargeurs. the French media and textiles group, that it plans this summer to split into two separate quoted companies has raised eyebrows in corporate boardrooms across the country.

After the group's shares were

ahead of an announcement. rumours - swiftly denied by the group - began circulating that it was to sell its 17 per cent stake in BSkyB. In some ways, the reality revealed later in the day was far

Chargeurs, a peculiar and highly personal collection of assets built up by Jerome Seydoux, the chairman, is to be demerged into Pathe, containing its cinema, television and newspaper interests: and Chargeurs International, holding its textiles and distribution

After AT&T and ITT in the US, and ICI and, more recently, Hanson in the UK, it seems that the corporate trend towards businesses splitting up is beginning to spread into continental Europe. Chargeurs is the first such example in France. The question is bow far the board's decision was taken on the same grounds as its confreres in the Anglo-Saxon world, and how many other French companies are likely to follow its lead.

"By and large, this reflects the international trend," says Pierre-Yves Gauthier, an analyst with Crédit Lyonnais.

There is pressure coming from shareholders and from international competition."

In France, one of the key stumbling blocks in the past to demergers has been a cultural one. The Paris bourse still contains a number of holding companies with a rationale more linked to a history of empire-building by strong top executives than to any real business logic or synergies between operations.

The widespread practice of cross-shareholding, with companies taking stakes in each others' capital and offering reciprocal seats on their boards, has created an environment in which there is often little serious controversy or demand by large investors for change, let alone for maximising shareholder

Chargeurs remains very much Seydoux's company. He now holds 29 per cent of the group, and under the terms of the proposed split -une share in each of the new companies for each share held in the current group - his presence will remain strong in both.

His influence is one explanation put forward for his decision last year to agree to contribute most of recapitalisation designed to save

Splitting image

Andrew Jack wonders if the Anglo Saxon fashion for demerger is influencing French companies



Jérôme Seydonx: under pressure from shareholders

Liberation, the loss-making daily French left-wing newspaper, from

In 1995, he wrote off FFr140m in financing of the paper, and many believe his decision has far more to do with personal alliances and beliefs than any business rationale. His strong ownership of Chargeurs means he could get away with the decision without facing a strong attack by investors.

Nevertheless, it seems that Seydoux felt the need to respond to the concerns of his fellow shareholders, arguing that one consequence of the demerger would be the chance for investors to have a direct stake in a series of

"homogenous activities". Certainly, his group often traded at a share price giving it a market capitalisation as low as half the value of its net assets, reflecting what one executive says was a lack of comprehension by investors in

Chargeurs' decision also seems to have reflected the growing management belief in concentrating on "core competences". It justified the demerger with references to "better concentration" on strategy and competition, more effective use of its staff, and the prospect of new partnerships in each sector.

There is certainly no shortage of companies in France which share

Chargeurs' problems as holding entities with diverse activities which are trading at a discount on.

Other French executives are talking more about focusing on their core businesses. For example, Crédit Lyonnais, the state-owned bank, has in the last two years removed FFr135bn in non-core assets from its balance sheet, including all of its participations in industrial companies, and much of its property portfolio.

Indosuez, the banking arm of the Suez group, has withdrawn entirely from property lending, has has its parent, and recently announced its intention to focus on certain banking activities in clearly-defined regions: Europe and the near and Par East. Pechiney, the aluminium producer, undertook a number of sell-offs of operations outside its main business in advance of its privatisation last year.

"Demergers are as necessary in France as they are anywhere else, says a tax adviser with consultants Deloitte Touche Tohmatsu in Paris. which was involved in advising

He points out that three years ago, the Patronat, the French employers' federation, lobbied hard for a change in the law which would make the process easier. There appeared to be no shortage of interest in the idea from among its

Yet he argues that tax has been a key stumbling block. French groups have been held back in the past because the tax office has required any demerger to be treated in the subjecting deals to some 60 per cent tax. It has also demanded an awkward negotiating game, with neither the company nor the inspector willing to commit themselves to a deal before the

Chargeurs says that its demerger has already been approved by the authorities, and will be tax-neutral. As part of the deal, Seydoux has agreed to hold on to his shares for the next five years.

Nicholas Clive Worms, chairman of Worms & Compagnie, a Paris-based holding group, says he seriously considered a demorger last year, which could have separated his industrial and financial holdings into two. But he changed his mind after trying to negotiate. "The conditions imposed by the fiscal authorities were impossible to accept," he says.

Given Chargeurs' precedent, a number of senior French executives may well reconsider the possibility of demergers, and other ways to refocus their businesses in a way will help enhance shareholder value. But progress is likely to be extremely slow.

JOHN KAY

The coming age of a shop for all markets



ignorant, small, and immo-bile. When I plan tonight's supper. my first problem is that I do not know the range

options available. Nor, within that range, do I know what is good and what is not. I ask the retailer to search and select on my behalf. Having decided on baked beans, l face my second problem. I am small. Facing the might of Heinz and the power of Crosse and Blackwell, it is difficult for me to negotiate a good price. The retailer aggregates the demands of many potential customers and bar-

gains on behalf of us all. And then I find it rather inconvenient to visit the Heinz factors to collect my beans. My third problem is my immobility. I would rather pick up the beans from some more convenient location. close to home, and, ideally, with a

Retailing exists to solve these three problems. The three components of retailing are product search and selection, purchasing and delivery logistics. In grocery distribution, all these functions have come together - Sainsbury and Tesco do them all.

That was not true some thirty years ago. There are some markets in which a different agent per-forms each of these three functions, like pharmaceuticals (see table). That doesn't sound like an organisation system that will last. And there are other industries, such as financial services and travel, which have yet to organise themselves clearly on the func-

tional lines. So where does electronic home shopping fit into this picture? It doesn't resolve the problem that I'm small. And it doesn't belp much with the logistics either. There are one or two products that you can send down a wire into people's homes, like videos and banking services, but no technology yet devised can deliver a can of beans or a washing machine on the Internet

The service of electronic ordering of food shopping has existed for a long time. It used to be called ringing up the grocer, who would send his delivery boy round on a bicycle. It is a service that largely disappeared, because it costs too much to provide. And nothing has changed those basic

What modern technology offers that is new is a capacity for structured search - to interrogate the electronic media to search for the goods and services you want. New technology may not resolve the problem that I'm small, or deliver the product: but it helps reduce my ignorance, or at least belos me to organise it. So the ideal product

What is retailing?

nomic and commercial structures. Remember again that retailing exists because consumers are small, ignorant and immobile. And that group of problems applies to almost everything we buy. Yet what is retailed amounts to little more than half of consumer expenditure. The other half of what we spend is varied. It includes housing, utilities, finan-cial products, petrol and many kinds of services - cleaning, car maintenance, conveyancing,

the availability of technology, but

There is scope for retailing

Customer problem	Retailer function	Food	Pharmacauticals
Ignorant .	Search and	Retailer	Doctor
Small	Bargaining and purchasing	Retailer	NHS/Benefit manager
Immobile	Distribution	Retailer	Pharmacy.

for electronic shopping is the washing machine, a product suffi-ciently complicated and sufficiently expensive to justify an effective search across the available product range, and too big and bulky to be taken home by the

Yet while people can buy washing machines today off the catalogue or on the phone, mostly they don't. What they actually do is rather peculiar. They visit a display of washing machines. All of them look virtually identical, and they sit in the middle of the shop floor, devoid of plumbing or elec-tricity, like beached whales. If you asked the assistants to demonstrate one working they would assume you were off your head. All you get from the display is the comfort of physical contact with the machine. You can touch it. you can feel it. One way or another, that seems to be very important.

Maybe virtual reality can deliver the same reassurance. Somehow, I doubt it. What really drives changes in market and industry structure is not simply

almost all of these, where retailing means providing the combina-tion of search and selection, effective purchasing, and convenient distribution logistics which are the characteristics of those retailing activities that already exist. You can already see this happening. Supermarkets have captured a quarter of the petrol market, you can make withdrawals from your bank account from machine on their sites or through their tills, and Marks & Spencer will make you a loan or sell you a unit trust.

As competition comes to utility markets, a surprising range of companies will emerge as suppliers of gas and electricity. And why can't the house shop take over from the estate agent and the money shop from the bank? Some of these new retailers will be physical shops like those we are used to, others virtual shops at the end of the telephone. The half of consumer expenditure that is retailed could rise to three quarters. There ent industrial structure to the one we know today.

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Toby Finden-Crofts on +44 171 873 3456 But emulating Noël Coward is not easy. Alastair Macaulay reports

Cooper or later, if you live in England and like doing so, you are likely to fall in love to some down. It is in that Garry is the brilliant (if sometimes us that Garry is the brilliant (if sometimes that love to fall in love to some down. likely to fall in love to some degree with Noël Coward. The test of maturity is, to my mind, the degree to which you then fall out of love. Some aspects of Coward are forever shrewd and disarming and enchanting. Others were always mere façades and are now wearing very thin indeed.

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DESCRIPTION OF THE PARTY.

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By chance, two different Coward shows have just arrived in the West End. Present Laughter, with Peter Bowles in the most stellar and funny role Coward ever wrote for himself, is at the Aldwych. Down the road at the Vaudeville, Peter Greenwell who worked with Coward, and whom Alan Jay Lerner once called The best Noël Coward since Noël Coward" - accompanies himself in a one-man anthology of Coward songs and stories, A Talent to Anuse. Both shows confront us again with Coward's own persona, cultivated so carefully in order to take English society by storm. And in this respect, of course, the rapid-fire Coward resembled the languor-ous Oscar Wilde. How both men dressed, and what they said in private life, mat-tered as much as what they wrote.

Coward first branded his persona onto English society in the 1920s. "I lent that woman the top of my Thermos flask and she never returned it. She's shallow, that's what she is, shallow." With that line in The Young Idea (1923) - as Kenneth Tynan wrote in 1977 - Coward first expressed a type of humour new to British comedy; and captured the brittle escapism (sometimes while criticising it) of the clever young people trying to shake off the shadow of the first world war. Coward's polished veneer and his brisk, clipped diction stamped the 1920s - but he was just

as quoteworthy in succeeding decades.

Typan also wrote, in 1953, "Even the youngest of us will know, in 50 years' time, exactly what we mean by 'a very Noël Coward sort of person." That remains true, even for those not born when Tynan said it. Yet what is a Coward sort of person? The Coward sort is urbane, witty, theatrical, charming. But a Coward type is also very contained; is concerned more with polished effect than with raw

When Coward tried to depict serious emotion between man and woman, as in Private Lives and songs like 'TII see you again", he told charming lies. When he tried to depict the state of the nation, as in Cavalende, or wrote tenderly idyllic sones about London, he created twee fiction. What he knew most about was sexual attraction between men, the conventions of English society, and the ways of theatre folk. Homosexuality he seldom dared to touch on (though in A Song at Twilight he did so with great seriousness and nerve, unearthing the buried homosexuality of an often odious writer who largely resembled

he patterns of English society always stimulated him; there is usually a hilariously inappropriate maid in his comedies, and several vintage English-eccentric caricatures (see Madam Arcati in Blithe Spirit). As for theatre folk, he was in every sense most at home with them. In Hay Fever, the theatricality of the Bliss family is hilarious because it is so hadmannered. And the two central jokes of Present Loughter are the extents to which Garry Essendine, a West End star, is (a) theatrical offstage (b) incapable of dealing effectively with the people who, thanks to his theatrical brilliance, are infatuated with him. Few of his songs have the visceral force of "Don't put your daughter on

the stage, Mrs Worthington". Alas, Richard Olivier's staging of Present Laughter (the 1947 text, slightly adjusted) makes Coward's portrait of his own offstage life as tinselly and hollow as his less sincere work. Though Garry, Monica, Liz, Henry and Morris keep saying that they have known each other for many years, it is impossible to believe that here. As Garry, Peter Bowles has suavity and relaxation on his side. But his manner is too unflappable, his nervous system too inscrutable; and he is particularly unconvincing in every tirade. Whenever Garry

this last respect that Coward differs most clearly from Wilde.

artificial and enaggerated) stage actor that clearly from Wilde. self hardly knows when he is not acting.

A Talent to Amuse, unfortunately, never distinguishes Noël genuine from Noël fake. "Sweet and beautiful ladies, sigh no more" is the kind of synthetic sentimentality in which Coward was most insufferable. Likewise his twee patriotism. Only one side of Noël here seems sincere: the coldly expert entertainer. As Greenwell's piano turns out the pastel tunes of "Til follow my secret heart" etc., you start to feel how smartly Coward planned such tosh to go over big with his audiences— with the middle-aged ladies in Goring-on-Sea whose belief in his heterosexuality he thought was too valuable to undo.

No, Coward was not a great songwriter. Still, great singers - Yvonne Printemps (who may have been the best for whom he wrote), Joan Sutherland, Barbara Cook have made surpassing effects with his music. And you do not have to be a great singer: Gertie Lawrence sang flat, but hauntingly. Coward's own recorded performances are completely uninteresting as singing, but several of them are virtuoso affairs of verbal delivery. (That Getling-gun attack.) Greenwell, alas, has a Benny Hill face and a Quentin Crisp voice. He can almost never sustain an open vowel, and he flicks at notes with a grey thread of voice. More important, he brings no indi-

vidual insight into any of the songs, True, there are numerous funny lines. The second encore is a hilarious, hitherto unknown, gay-man extra verse of the famous song "Mad about the boy". ("Peo-ple I employ/ Have the impertinence to call me Myrna Loy./ I rise above it./ I simply love it/ Because I'm mad about the boy.") Nonetheless, this is simply a mimsy trip down memory lane, and its underenergised camp makes Coward appear a yet more minor artist than he was. It leaves you feeling that Greenwell is the worst Noël Coward since Noël Coward.

Present Laughter is at the Aldwych Theatre; A Talent to Amuse is at the Vandeville



Caroline Langrishe and Peter Bowles in 'Present Langhter'

Alastah Muir

Recitals/David Murray

Three keyboard virtuosos

Mark Anderson, is especially remembered for having lost out at the 1993 Leeds Plano Competition to a competent Italian more two years ago, the Vene-whom nobody seems to remem-zia e Napoli triptych, was short whom nobody seems to remem-ber at all. The next year, McCawley and Anderson both gave finely played Wigmore "McCawley's much more a-block with verve and gleeful uneven than Anderson's "Inesse. We can expect much mature readings (Anderson is more as he grows up. 10 years older, after all). On Sunday McCawley appeared at the Queen Elizabeth Hall, perceptibly more assured, but as bright-fingered as ever.

His clarity and freshness in Mozart's C mater Senata K.330 were delightful to hear. McCawley is never so happy as when spinning an elegantly nuanced 18th-century line. It would have been happier still if he had not, in the repeat of the Allegro exposition.

repeated every practised nuance so literally. One cannot believe that when performing, Mozart ever failed to vary his repeats with new lights: a repeat must sound different, just because it is a repeat, and not a first statement.

That is not a very grave niggle. Nor would it be to remark that in McCawley's sternly felt Schubert - the A minor Sonata, D.784 - he sometimes grew harsh and strident in fortissimo. This was still a vital, deeply considered reading. So was Schumann's Kreisleriono, gaining enormously from line where too many planists blur it with indulgent pedal-

ling.
McCawley's Liszt at the Wigof diablerie and virtuoso drive. Here he made much more of the Rapsodie espagnole: nothrecitals, though I thought ing quite disbolical, but chockrtur Pizarro, who won

the 1990 Leeds Competition over Lars Vogt, sounded precociously "mature" then - and still does without having perceptibly matured any further. The day after McCawley's recital he .gave a BBC lunchtime concert at St. John's, Smith Square. He chose to devote it to the monster-sonata Paul Dukas composed at the start of our century, between his much earlier Sorcerer's Apprentice and his

The Dukas Sonata is grossly Franckian: long-drawn-out, upholstered in busy pianotextures, and tortuously chromatic - like his "Variations, Interlude and Fugue on a Theme of Rameau" from almost the same time, but far less pungent and succinctly original than that neglected work. Pizarro dwelt piously over the Sonata in warm, broad tones, but missed both its saving rhythmic energy and the overt virtuosity it

💙 or someone under orders to raise £56m by the end of April, Dawn Austwick is remarkably calm. "Talk to me on April 29 and I could well be a trembling wreck," she says, Further back, young Jack Gibbons played Charles-Valen-

ing in any major competition,

Gibbons has won golden opin-

ions for his Alkan perfor-

mances - and his "authentic"

Gershwin, too: a strange pair-

ing! But it was hard to match

the praise for his Alkan record-

ings with what we heard on

Gibbons' fingers are super-

fleet, and one way or another

he managed to keep things

frantically going. On the other

hand, his dynamic range seems

limited to three or four levels,

with a minimal expressive range, and his rhythm is too

anxiously metronomic to allow

room for Alkan's structural

nodes to register properly.

Without their monumentally

blazes of flinty feeling, Alkan's

long, grandiose movements

were reduced to noisy wallpa-

Has Gibbons really taken

stock of the competition, with

Marc-André Hamelin far ahead

at the virtuoso forefront?

There is no point in boarding

Alkan with lesser means; and

there must be a lot of music

which would display Gibbons'

fluent gifts without taxing him

to so little purpose.

sculpted scale and their rare

the South Bank.

not very convincingly. Austwick is the project director at the Tate Gallery charged with gathering in the £106m needed to build the Tate Gallery of tin Alkan's monstrous 12 Etudes in the Minor Keys (from the early 1850s: they include a 4-movement "Sym-Modern Art on London's Bankphony" and a wild 3-movement side in time for a royal opening "Concerto" sans orchestra) in in May 2000. the same hall. Without figur-

She got off to a flying start with a £50m contribution from the lottery-financed Millennium Commission. When the lottery and the Millennium Fund were mooted the Tate moved quickly. It was the first of the UK's major cultural institutions to announce its ambitions - to hive off its 20thcentury art collection into an impressive new building - and

its pioneering has paid off. Its choice of a site, the conversion of an abandoned power station by the Thames, may not have satisfied those seeking ground breaking monuments for the 31st century, but Bankside hardly lacks grandeur and, as a prestige central London development which focuses on the modern, the Tate was a natural choice by the Milleprium Commission to be the capital's landmark proj-

But the commission's £50m grant is based on the understanding that the Tate can profor the rest of the money by the spring. At the moment it looks like the Tate will receive two substantial donations, each in excess of £10m, plus a goodly number of gifts of £5m

Sponsorship/Antony Thorncroft

Tate drums up funds for Bankside

and under. If Austwick can convince the commission, and the Tate's trustees, that 90-95 per cent of the money is wrapped up the fund will start

to hand over its 250m. Although the Tate has many rich admirers - the reclusive American, Edwin Manton, recently gave £12m to create more space in the Pimlico Tate, which continues as a museum of British art - the funders of Bankside are an eclectic crowd, some quite new to the Tate. The City, which is likely to be joined to Bankside by a new bridge, is an obvious target, but the big donations come from private individuals and companies; from the UK and overseas; from lovers of

art and philanthropists. As Dawn Austwick says, "some want to give because we are creating a new London landmark; some for charitable reasons because we are bringing jobs to Southwark, a deprived area; and some because they love modern art". There will be anonymous benefactors, and those motivated by having one of the five planned galleries in the Bankside Tate named after them, an immortality conferred on Lord Duveen in Pimlico. No one has come up with a sum large enough to endow the whole museum with their name, the achievement of sugar magnate,

Sir Henry Tate, a century ago.

The director of the Tate, Nicholas Serota, and his trustees have been consumed innumerable lunches and dinners with potential donors and it is unlikely that anything can check the Tate's smooth drive to Bankside. It expects to start converting the building, to the designs of Swiss architects Herzog and de Meuron, in the spring of 1997, and promises that, milke most other major construction works in the UK, tough budgeting and management controls will prevent an inexorable over-spend.

Modern Art looks like a carefully controlled dry run for the other 11 landmark projects planned to celebrate the millennium. It could actually secure all its \$56m by the end of April. This would be pleasantly embarrassing, since the Tate plans a public appeal for 1997 in which its more humble supporters can show their commitment. Whatever happens the appeal will go ahead to raise money for extra refinements - like major paintings to fill the Tate's gaps in Cubist art, German art, Russian art, and more, among the 1,000 works that will be on permanent display at Bankside.

Filling the museum is no problem: 80 per cent of the Tate's current collection is not on view. The extra galleries will encourage donations of works from patrons and artists who are inhibited from giving at the moment because the Tate cannot guarantee a dis-play. But these are among future worries, such as how to raise the £10m needed to cover the annual running costs.

The Millennium Commission needs the Bankside Tate as much as the Tate needs the Commission. Many of the big projects of a year ago with their eyes on millennium money have bit the dust -Albertropolis, Cardiff Bay Opera House, the regeneration of St Pancras – and there must be some major national openings in 2000. The Bankside Tate, neighbour to the Shakespeare Globe and only minutes from a revamped South Bank Centre, has all the right connections. The Queen has been heard to say that it is a good he Tate Gallery of thing the Tate is going ahead or else she would have nothing

to open in Millennium year. The higher than expected revenue from the lottery may give London one more landmark project, probably the proposed new Great Court at the British Museum, But like the Bankside Tate, the exterior of which will retain most of Sir Gilbert Scott's 1950s's structure, the BM scheme improves an existing building. It is a scandal that with the billions of lottery money available neither London, nor the UK, has come up with a major brand new building for the 21st cen-tury. A lack of imagination by the commissioners has come up against the unpopularity of modern architecture, with depressing consequences.

Ballet

Dance in the '50s

s part of the city's Towards the Millennium celebrations, Birmingham's Royal Ballet is presenting a triple bill of works created during the decade of the 1950s. It is an odd, if illuminating, programme of Ashton's Birthdoy Offering, Balanchine's Agon and Jerome Robbins' The Cage. Played - as it was on Wednesday night - in that order, it suggests a meal in which one starts with a very sweet pudding, proceeds to a culinary masterpiece (I can think of no dish as concentrated or as full of flavour or as enduringly nourishing as Agon) and finishes with Robbins' highly spiced steak tar-

It is good to report that BRB is dancing in brighter form than at the start of the season, Birthday Offering looked more like itself, and will be almost wholly recognisable when it is lit as if it is the celebratory and sunny piece it once was, rather than a visit, in a stormtossed twilight, to a municipal cemetery. Amid the encircling gloom of Peter Farmer's cloudwracked set, the dance shines fitfully, but the dancers now entrusted with those subtle, witty solos are much more mistresses of their tasks. Only the central Fonteyn/Somes passages are still a bunch of imortelies from the grave of the dear departed: Sabrina Lenzi and Kevin O'Hare offer desirmated appropriate of sublime choreography.

gon was given most a creditable interpretation, the clarity of the dance much belped by a taut reading of the score under Leslie Dunner. There is not quite - not quite yet - the muscular inevitability the piece has in New York, but the aerodynamic efficiency and motor force of this staggering, stunning ballet are under-stood, and Monica Zamora and Joseph Cipolla give a highly charged and absolutely convincing account of the great duet. I was also impressed with the men - Chi Cau, Robert Parker, David Justin - who caught the sportive clarity of their dances: the great bransle simple was as tremendous as the sound of its two trumpets in canon cleaving the music's

About The Cage I can give only a partial report. Robbins made it in 1951, and it shocked the public. A community of insect women initiates a novice (the part was made for Norah Kaye, who was unforgettably menacing in it) into its ritual of dealing with the male: copulate and kill. The music is Stravinsky's Basier concerto, but the theme is Giselle Act 2, and the chill inevitability of the proceed-ings (a conflict between momentary passion and tribal demands is won by the need to despatch the male intruder) has always made the piece "strong" theatre. Various caprices of time-tabling meant that I could see only half of the performance: I record sim-ply that the staging looked good: that Monica Zamora was excellent in Kaye's role; and that Catherine Batcheller had the right forbidding presence for the Queen of the tribe. I shall hope to discuss it more fully before long.

Clement Crisp



ADELAIDE

EXHIBITION Art Gallery of South Australia Tel: 61-8-2077000 1996 Adelaide Biennial of Australian Art. fourth edition of this biennial exhibition surveying Australian contemporary art. The Adelaide Blennial, presented in collaboration with the Adelaide Festival, features the work of 20 artists from all over Australia; from Mar 2 to Apr 14.

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Catalogue des oiseaux: by Messiaen. Performed by pianist Anatol Ugorski. This work for solo piano is based on birdsong as noted and remembered by the composer, 3pm; Mar 2. Het Muziektheater

Tel: 31-20-5518117 Michael Nyman Band: with planist Michael Nyman, violinists Ann Morree and William Hawkes,

cellist Anthony Hinnigan, bass Martin Elliot, and sexophonists John Harle and David Roach perform works by Nymen. Including music from the films The Piano, Carrington and The Draughtsman's Contract; 8.15pm: Mar 4.

BERLIN CONCERT

Konzerthaus Tel: 49-30-203092100/01 Borodin Quartet: perform Beethoven's String Quartet No.15 in A minor and Shostakovich's String Quartet No.15 in E flat minor: 7.30pm; Mar 4. DANCE

Staatsoper unter den Linden Tel: 49-30-2082861 Apropos Scheherazade: a choreography by Béjart to music by Ravel, Stravinsky, Rimsky-Korsakov and traditional Iranian music. performed by the Ballet Unter Den Linden. Conducted by Sebastian Weigle, costumes designed by Gianni Versace; 8pm; Mar 2, 8, 9 (7.30pm). OPERA

Deutsche Oper Berfin Tel: 49-30-3438401 Martha oder Der Markt zu Richmond: by Von Flotow. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Carol Malone and Ralf Lukas, 7pm; Mar 2.

CAPE TOWN

CONCERT City Hall Tel: 27-21-4617084 St. Paul's Chamber Orchestra and Choir: with conductor Herman

Wagener perform Perotin's Beata Viscera, Dufay's Ave Maris Stella and Gloria Ad Modum Tubae. Purcell's First Ode to St. Cecilia Faurė's Madrigai, Op.25, Pārt's De Profundis, Cloete's Hiex, Hofmeyr Introit & Kyrie, and Tayerner's God is With Us; Som; Mar 2.

COPENHAGEN

OPERA Tel: 45-33 14 10 02 Madama Butterfly: by Puccini. Conducted by Paolo Olmi and performed by the Royal Danish Opera. Soloists include Gitta-Maria Sjöberg and César Hemandez; 8pm;

HAMBURG CONCERT Musikhalle Hamburg Tel: 49-40-346920 I Musici di Roma: perform works by J.S. Bach and Vivaldi; 7.30pm; OPERA

Hamburgische Staatsoper Tel: 49-40-351721 Armide: by Gluck. Conducted by Gerd Albrecht and performed by the Hamburg Oper. Soloists Include Sabine Ritterbusch, Gabriele Rossmanith and Philippe Roullon: 6pm; Mar 3, 6 (7.30pm).

■ LEIPZIG CONCERT

Gewandhaus zu Leipzig Tel: 49-341-12700 Edgar Krapp and Berthold Possemeyer: performance on the occasion of the 80th anniversary of the death of composer Max Reger;

LONDON

8pm; Mar 3.

JAZZ & BLUES Romie Scott's Tel: 44-171-4390747 Irakere: jazz performance by the 12-piece band, with special guests the Stan Sultzman Quartet; 10.45pm & 1am; from Mar 4 to Mar 10.

OPERA London Colineum

Tel: 44-171-8360111 Tristan und Isolde: by Wagner. Conducted by Mark Elder and performed by the English National Opera; 4pm; Mar 2, 7 (5pm).

■ LUXEMBOURG

CONCERT Théâtre Municipal Tel: 352-470895 Solistes Européens: with conductor Jack Martin Händler, and clarinettists Sabine Meyer and Wolfgang Meyer perform Kommer's Double Concerto for Clarinets and Orchestra; Rossini's Variations for Clarinet and Orchestra; 8pm; Mar 4.

MUNICH

CONCERT Nationaltheate Tel: 49-89-21851920 Má Vlest: by Smelana. Performed by the Bayerisches Staatsorchester with conductor Jiri Belohlavek; 8pm; Mar 4, 5.

NEW YORK

CONCERT Avery Fisher Hall Tet 1-212-875-5030 National Arts Centre Orchestra of Canada: with conductor Trevor Pinnock and pianist Jon Kimura Parker perform works by Beethoven, R. Schumann and Mozart; 7.30pm;

Tel: 1-212-247-7800

 Orpheus Chember Orchestra: with pianist Bruno Leonardo Gelber perform Beethoven's Coriolan Overture and Piano Concerto No.1 in C major, Stravinsky's Pulcinella Suite, and Sibelius' Valse Triste;

8pm; Mar 4. Wiener Philhammoniker, with conductor Seiji Ozawa perform Bernstein's Opening Prayer, Mozart's Symphony No.41 in C major (Jupiter), and R. Strauss' Eine Alpensinfonie; 2pm; Mar 2.

OPERA New York State Theater Tel: 1-212-875-5570 La Boheme: by Puccini. Conducted by Robert Duerr and performed by the New York City Opera. Soloists include Janice Hall, Michele Patzakis, John Fowler and

Robert Perry; 8pm; Mar 2, 7.

Norske Opera Tel: 47-22-429475 Mysteries: by Kvandal. Conducted by Kjell Ingebretsen and performed by the Norweglan National Opera; 6pm; Mar 2.

ROTTERDAM

CONCERT De Doelen Tel: 31-10-2171700 Imogen Cooper: the pianist performs Schubert's 16 Deutsche Tärze, Klevierstück No.2 in E flat, and Sonata No.18 in A; 4.45pm; Mar 3.

STUTTGART

OPERA Tel: 49-711-20320 L'Italiana in Algeri: by Rossini.
 Conducted by Gabriele Ferro and performed by the Oper Stuttgart. Soloists include Roland Bracht, Gabriela Herrera, Etusko Kanoh and

Gustavo Gibert; 7.30pm; Mar 2, 4, 8

VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211 Alban Berg Quartet: with pianist Rudolf Buchbinder perform Berg's Lyric Suite and R. Schumann's Piano Quintet in E flat, Op.44; 7.30pm; Mar 4, 5.

Musikwerein Tel: 43-1-5059391 Maria João Pires: the pianist performs works by Mozart, J.S. Bach and Chopin; 7.30pm; Mar 4.

ZURICH

CONCERT Opernhaus Zürich Tel: 41-1-268 6666 Die schöne Magelone: by Schubert, Performed by baritons Oliver Widmer and Will Quadfiled (recitative); 8.30pm; Mar 4. OPERA

Opernhaus Zürich Tel: 41-1-268 6666 Il Trittico: by Puccini. Conducted by Mercello Viotti and performed by the Oper Zürich. Soloists include Mara Zampieri, Giorgio Zancanaro

(7.30pm).

and Bolko Zvetanov; 7pm; Mar 3, 5

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A risky business

John Major is right to make compromises for peace in Ireland. But there is little comfort for him at Westminster

with them, Mr Major has taken an immense risk. The communique hammered out not yet probable. John Major and John Bruton have gambled that the IRA might suswith Mr Bruton on Wednespend for a second time its war day bears the deep imprint of against the British state. The uncomfortable compromise. It takes the British government stakes could not be higher. much further along the mad to meeting the IRA's demands This is a last chance for peace. For Mr Major's administration the domestic politics are than would have seemed posequally fraught. Northern sible only a few weeks ago. Ireland is now inextricably The IRA has a firm date for entangled with the Conservaall-party talks. No longer do tives' perilous position at Westminster. This may also its military commanders have to decommission a single

be a last chance for the prime armalite before Mr Adams is allowed to represent them in John Hume, the leader of all-party negotiations. Sure, the nationalist Social Demo-Sinn Fein must stand in eleccratic and Labour party, and Gerry Adams, the Sinn Fein tions, but it no longer has to sign up in advance to the prinpresident, have put the case ciples of democracy and nonfor renewed peace directly to the IRA's military commandviolence. Once pre-conditions, these are now merely the first item on the agenda of allers. The rest of us should be party talks. If the ceasefire is optimists. It is too easy to be otherwise. Pessimism leads restored there will be a seat at nowhere but to the cul de sac the table for Mr Adams on of sectarian violence. June 10.

Yet the brutal cynicism I am told that this section of with which the IRA has resumed its bombing renders the communique was the most difficult to negotiate. It had still to be finalised when Mr hope much harder a second time. Mr Adams is a pawn. Bruton arrived in Downing Whatever he might say, the Street. But there is no doubt republican movement is under that it was Mr Major who the control of the men with made the important comprothe guns. We saw them stride mise. Sinn Féin has got what back into public view only

There were other conces-As Mr Major and Mr Bruton sions. If the talks between met at 10 Downing Street on Northern Ireland's constitu-Wednesday, the parents of a tional parties do not reach 21-year-old boy were burying another of the IRA's victims. agreement on the shape and The assumption Strictly speaking, Edward O'Brien was a terrorist, a hitherto has so-called volunteer. He had

achievement, adding a martyr

In deciding he must treat

to the republican cause

blown himself up on a London bus. But Father Walter Forde, been that the the parish priest in the small southern Irish town of Gorey, nine official spoke eloquently of the "sor-did godfathers" of violence unionists would who had hijacked and perkeep Mr Major verted a teenager's idealism. Edward's parents had told afloat. Such the IRA to stay away from the funeral. But these men are comfortable with death. So logic is now there they were, hard-faced in the churchyard, proud of their less certain

role of the proposed new pear convention, Mr Major will impose his own blueprint. He may also give the go-ahead for a referendum to be held simultaneously north and south of the border, the first all-Ireland noll since 1918.

All this has been offered without a guarantee that the IRA will call off its campaign. And if there is another ceasefire, what confidence can Mr Malor have that it will stick. that Mr Adams's chums will not simply start bombing again when necotiations run into the inevitable roadblocks? None. For all that, I still think that

Mr Major was right. To have come this far over the past few years but to have stopped short of such a moment of truth would have been to have put smiles on the faces of the IRA hawks. As John Alderdice, the leader of Northern Ireland's non-sectarian Alliance party, put it: "The two prime ministers have laid it on the line for the republican movement - either they can be part of the process or they can continue their selfexclusion and marginalisa-tion." Mr Adams, one might say, has nowhere else to hide.

That though offers Mr Major little comfort at Westminster The charge, already whispered loudly by unionists and echoed by some on the Tory backbenches, that the IRA has bombed its way to the negotiating table will not be easily shaken off. The government's majority in the House of Com-

mons is fast slipping away.
The looming by election in Staffordshire South East could cut the majority to one. Death or defection could wipe it out entirely within a matter of months. But Mr Major's chances of a political recovery depend on postponing the general election until the spring of 1997. All hope of snatching victory from defeat rests on the expectation that the next 12 months will see a sustained rise in the voters' living standards. And an October election would deny the governcutting Budget. You do not have to be a political scientist to appreciate the leverage which now lies in the hands of

The assumption hitherto has been that the nine official unionists led by David Trim ble would keep Mr Major affoat. Better for them to wield influence over a weak Tory administration than to help put Tony Blair's Labour party in power with a large

Such logic is now less certain. The falling out between Mr Major and Mr Trimble this week over the Scott report on arms sales to Iraq was greatly to the prime minister's credit. He was prepared to offer the unionists general reassurance over Northern Ireland in return for their votes in the House of Commons, but he would not trade the substance of his policy. Mr Trimble was not best pleased. In the event, Mr Major won the Scott vote anyway, saved by the three abstentions of Ian Paisley's Democratic Unionist party. But he cannot be certain of

repeating the trick.

Nor will the unionists have failed to notice the harder edge to Mr Blair's voice this week when he warned Sinn Féin not to expect a better offer from a Labour government. And no one will believe it was a coincidence that Mu Blair chose this week to reverse his party's onceimplacable opposition to the Prevention of Terrorism Act So in the coming wrangling over elections and all-party talks. Mr Trimble can be expected to test Mr Major again. If he secures nothing for his votes he may offer

them elsewhere. Do not write off Mr Major on the basis of such hypotheses. He is resourceful and resilient. Perhaps, just per haps, his latest gamble will pay off. But even now another Edward O'Brien may be sticking detonators into lumps of Semtex in some seedy south

·LETTERS TO THE EDITOR:

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Markets must strive for competitive balance

From Sir Hugh Cortozzi. Sir, Professor Ronald Dore (Letters, February 28) declares that "the Japanese keep up employment precisely by the limitation of competition". This is at best a half-truth. Many Japanese regulations (eg. on the hours during which department stores and public facilities can open or on the number of taxis allowed to operate and the fares they can charge) restrict employme opportunities. Over-regulation

in Japan adds greatly to consumer costs and vastly

distorts the Japanese economy. I accept that "competition and efficiency are not the only ends in life". I also endorse the view expressed by Edward Mortimer on the same page ("Surfeit of good things") that there are real dangers in leaving everything to the market. If, for instance, market forces alone were to decide the educational curriculum the UK system of education would be

in even more of a mess than it is at presen

The issue is not one of a choice between a regulated economy and a total free market. It is how to balance the differing needs of individuals and the

The Japanese model, in the view of many Japanese and foreign observers, is over-regulated and imposes excessive costs on consumers

unfair to the majority as many regulations are designed to protect and enhance minority interests. Farmers, for instance, have a disproportionate influence with politicians because of the way in which Japanese stituencies have in the past been rigged to favour the rural

Hugh Cortazzi, 16 Hamilton Close London NW8 8QY, UK

Heading for a fall?

From Mr Chalmers H. Goodlin. Sir, I was astonished to see Pat Buchanan wearing a black hat in the picture you published on your front page

(February 27). Have Mr Buchanan's early primary successes caused him and his staff to overlook the fact that, traditionally, in western cowboy lore the good guys always wore WHITE bats? Egad, while in Arizona,

Charles H. Goodlin, 2615 Granada Boulevard. Coral Gables. Florida 33134,

Enlightened self-interest the way forward

and producers. The system is

From Mr A.A. Pelling. Sir, Pamela Meadows ("When growth fails the unemployed", February 27) believes we can have the cake of increased efficiency and eat it too by some artificial job creation like the discredited mmunity programmes of the late 1970s and early 1980s.

There is a clear risk that the structural unemployment we see now and the lack of opportunities for the less <killed will undermine confidence in our relatively free market systems and in the role of the leading firms in the economy. Especially vulnerable to attack already are the corporate bosses. In the US. Pat Buchanan has touched

the rich vein of resentment against the corporate sector. Leading employers would do well to heed the warnings and together devise mechanisms to help new enterprises to create new jobs and trade, as well as to take action with others to protect the viability of the local communities where they operate and on which they

Enlightened self-interest should be preferred to subsidising made up jobs that lower the status of workers, In the early 1980s in the UK, the local enterprise agency movement and Business in the Community took on the leadership of job creation and community development

efforts using the resources of local employers. This approach was in part copied from the US but now might merit reinvention in the US, with more emphasis being given to protecting the long-term health of the local economy than to outplacement of the recently displaced within an often declining community.

In both the UK and US there are plenty of examples of communities that have pulled out of depression by local joint

A. Pelling, 3814 Seminary Avenue. Richmond Virginia 23227,

Protest does not hide Berlusconi influence on Italian TV

Sir, Sen. Livio Caputo and Mr Riccardo Pera's letter (February 26) questioning the actual extent of Berlusconi's hold over Italian TV stations is a mystifying attempt to cover up the patent imbalance in the distribution of media control in Italy.

Allow me to point out that Forza Italia is the same party that is complaining about the fact that one of the leading ministers in Berlusconi's Lamberto Dini, is now no longer sufficiently unbiased

even to run a caretake: government because of the fact that he has decided to join the electoral race with a party of his own. We are talking of the same man whose name Berlusconi himself put forward to the president of the republic as his successor to the position of PM! Are Caputo and Pera now going to revise the RAI-coverage statistics they mentioned in their letter to include in the centre-left total the time allocated to prime

When is Forza Italia going to stop complaining about other

people's partiality and start working on its halo of contrite self-righteousness? For how long are its leaders going to accuse the referee and linesmen of Italian politics of siding with the adversary's camp despite the fact that Beriusconi controls one of the two teams, along with a good chunk of the field where they are playing, most of the lights illuminating the evening game and more than half of the ticket offices where the public pays for the ticket to get inside

and watch the game? Last but not least, someone

should inform Caputo and Pera that Mr Biagi, one of Italy's leading journalists, does not notoriously belong to the parties of the left" and that, if anything, he was vehemently ostracised by one of the main parties of the left during the lingering First Republic, namely the Socialist party and its then mighty secretary Bettino Craxi.

professor of economics American University of Rome Via Pietro Roselli 4. 00153 Rome, Italy

Europa • Michael Stürmer

Cap in hand to Uncle Sam

As long as the European Union is unsure where it is going, Eurodefence will remain elusive



There with the idea of Eurodesence. far, nobody has been able to

and of the cold war, the European record on defence co-operation has been rather underwhelming. Several European countries were war, for example, but there was no role for Europe as a

In the wars of the Yugoslav succession, Europe was ill-prepared. It claimed an exclu-sive role impossible to sustain, found itself divided over almost everything, and finally welcomed US leadership plus 20,000 soldiers.

It is a safe bet that the next

10 months will not be enough to put a structure together for leave the killing fields of Bosnia and the warring parties see a now-or-never opportunity to take advantage of the US departure. This will be a moment of truth for the European role in containing the New World Disorder.

When the North Korean nuclear proliferation crisis reached breaking point two years ago, Brussels took hardly any notice. In the middle east peace process, the Europeans are friendly bystanders, providing infrastructure but not strategic reassurance.

international security, as defined by the European Union, involves the use of economic clout in the form of trade, investment and aid agreements to prevent disas-ters and to provide stability. With this modus operandi, Europe has claimed more successes than failures, especially in the Mediterranean. But it should be remembered

that not every crisis will go away when a billion Ecu are thrown at it, and that economic growth and social con-sensus cannot ilourish without a stable environment.

In places not given to civil intercourse, containing a conflagration sometimes requires military hardware and suffi-



Even in the back pages of given more substance to that most elusive of all concepts: the Maastricht treaty (which the European Strategic and is, according to the former German chancellor, Helmut Defence Identity. The inclusion Schmidt, a jumble of regulations grouped around the hard core of monetary union) a reminder can be found that there may be a need, one day, for something like a common defence policy through the Western European Union.

But at close inspection, the Maastricht treaty's Common Foreign and Security Policy offers little tangible evidence that anything short of a miracle, or a major disaster, will enable the inter-governmental conference, starting this year, to flesh out an effective Eurodefence.

One would not even need the United States of Europe which no one except Germany professes to love - to organise Eurodefence. But one would need European security to be organised very differently from the way that it is today. In the past 40 years, all the emphasis in European integration has been on civilian matters, while Nato took care of overall security strategy and the various nation states have looked after their own defence interests.

The accession of Austria, Finland and Sweden to the EU has not made them enthusiastic to join Nato or the WEU, or

of Poland, the Czech Republic and Hungary in the European Union in the foreseeable future will not simplify matters. It is probably an illusion to believe that the EU will, without a clearer notion of common interest and a much more centralised mode of governance, be an effective player in the This will remain with Nato and

the nations in Nato. The WEU, prior to 1989, was a treaty and an organisation in search of political purpose. It served, during the last years of the cold war, to draw France a allies. Since 1990, the WEU has invited many observers and

partners to the club.
It could still, if a core group would come together and take matters in its hands, become the steering committee for European defence efforts, including in the armaments where it is most needed; given the depressed state of the industry. Indeed, how to forge an overriding European security programme and express it via the Western European Union should be foremost on the agenda of the inter-

Combined Joint Task Forces concept, dating from 1994, has been unable to deliver anything in particular. It is suffering from its inherent weaknesses - the absence of a credible player to represent Europe and the need to seek US approval for the use of Nato hardware and infrastructure, even for those actions without US involvement.

he last li

governmental conference. The

If it ever works, it would be for a Nato action after the US had already signalled its unwillingness to participate; if it does not work, it should not be counted as an asset but discounted as an episode.

in the meantime, elements such as the Euro-corps should be continued and built up. pragmatically, much like Franco-British nuclear consultations, British-Dutch amphibious co-operation and Dutch-

Belgian naval co-operation.

But here again, the availability of key Nato assets, including headquarters, remains essential because duplication of defence efforts is unacceptable and too expensive.

As long as the European Union is unsure where it is going, Eurodefence will, of necessity, continue to be contradictory, ill-defined and elusive. Even "dissuasion concertée", the nuclear umbrella offered by President Jacques Chirac of France to the European allies, will only be a cred-ible and meaningful concept if brought into the Nato context: the Common Foreign and Security Policy is too light a structure to carry so heavy a

The long and the short of it is that six years into the New World Disorder, Nato remains as necessary as it has ever been - and perhaps even more so in view of the vast dangers of nuclear proliferation and rampant nationalism.

weight.

But nobody in Europe should be in any doubt that the US is overstretched now and will soon have to face down China over the balance of power in the Pacific. Among the US population, and even on Capitol Hill, it will be less and less acceptable that the Europeans, so powerful and active on the economic scene, will need Uncle Sam to protect them against their weakness, opportunism and disunion.

Stiftung Wissenschaft und Politik, a German foreign affairs

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US is wrong on drugs

Today the US administration passes its annual judgment on whether the rest of the world is doing enough to combat the illegal drugs trade. Certification, as this process is called, epitomises much

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of what is wrong with the US-led effort to combat drug trafficking. The judgments are made using a set of bureaucratic yardsticks, which are inconsistent from one country to another and irrelevant to the market in narcotics. It sets the US, the world's main consumer of illicit drugs, in direct confrontation with the world's main producing and processing countries. This not an effective policy for dealing with the international drugs problem. What is clearly necessary is a co-operative international strategy that addresses both demand and

Neither does the current approach further Washington's other foreign policy interests, such as its desire to encourage democratic and market-friendly governments in Latin America. This is most obviously true in

The US helped Mexico to emerge last year from a financial crisis with \$20bn of credits and an international support package. Because of this, it would be a surprise if Mexico's certification were to be withdrawn today. Decertification, even with the likely caveat to mitigate the economic consequences, would weaken President Ernesto Zedillo and make his task of economic and political reform more

Underlying problem

Mr. Clinton will face stronger pressure from law enforcement officials to decertify and impose sanctions on Colombia. However, such a move would be seen by Colombians as unwarranted interference in their domestic affairs. The likely anti-US reaction might even have the ironic effect of saving President Ernesto Samper in his fight to survive allegations that he used drugs money in his -1994 election commotion.

tification process is that it belos ant circumstances any western perpetuate an illusion in America politician who attempts to contrast the drugs problem is entirely front them risks his or her politithe fault of foreigners. Unfortu-

nately, this is the tone of much of the current US political debate.

The underlying problem is that an effort that concentrates solely on restricting supply, either through crop eradication or inter-diction, is bound to fail. The differential between street prices in the US and the sums paid to suppliers is so large as to overwhelm any such restrictions. On average only 0.2 per cent of the New York price of cocaine goes to the peas ant who grows the coca. That means traffickers can afford to multiply their payments to suppliers without a large impact on profit margins. A 1993 study by the Rand Corporation concluded that "cocaine supply and control strategies that seize and destroy less than 70 per cent of produc tion, without limiting the total level of production, will have little impact on the market".

Supply chain

This does not mean that efforts crop eradication, alternative development, interdiction and law enforcement are useless. But they can only work in the context of an internationally-agreed approach. Such a policy would aim at all links in the supply chain, and would include measures to promote open markets for the producer countries' legitimate agricultural exports. It would also ensure adequate funding for eradication and control efforts by all consumer nations including the Europeans; currently the burden falls disproportionately on the US.

Ultimately, of course, the economics is relentless. No drugs control strategy will work without curbing demand. This is a matter of fashion and education. Education has been remarkably successful over a decade in stigmatising the smoking of tobacco. The same can be done for cocaine and other filicit drugs.

What is also needed is a rational public debate on the whole drug issue, up to and including the possible decriminalisation of some currently illegal substances. Society races serious choices on these The other problem with the cer- questions. Unfortunately, in pres-

Slow crawl to the fast link

been chosen to build the fast rail link from London to the Channel tunnel. It is nearly two years since. the tunnel opened, three years since the fast link from Paris to the Channel was completed, and more than a decade since Eurotunnel won its concession to build the tunnel. On the present timetable, trains will start running on the new line through Kent in 2003. It is a dismal story of delay, inde-

cision and incoherent planning.

The worst of the delay may now be past, although on past form only the supreme optimist would place money on yesterday's schedule running to time. Even the necessary enabling legislation is not expected to complete its parliamentary passage until early 1997. At any rate, it is encouraging that the winning London & Continental consortium features groups such as Virgin, with significant transport experience and cus-tomer service skills. Neither has been pre-eminent in the Channel

tunnel tale to date. In effect, therefore, yesterday's announcement is little more than interim. It is not fair to blame this entirely on the politicians: governments in England find it harder than their French counterparts to impose their planning priorities. Yet the fact is that the spectrum between best- and worst-case scenarios remains very wide. It is the same for taxpayers, who stand to foot a huge bill for the enterprise, the scale of which is hard to quantify from the available figures.

Flagship programme

It is important not to be hood winked by the term "private finance initiative". Ministers have chosen to categorise the fast link as a PFI project - indeed at nearly £3bn in construction costs, the project accounts for more than half of the total value of contracts agreed to date under the government's flagship programme for boosting private investment in

public infrastructure projects. However, in reality the 68-mile Channel link is as much a public as a private investment; and on some interpretations of the figures it may even be costing the Exchequer more than the British Railled option which bit the dust in 1989 through ministerial insis- for decades to come.

tence that the project proceed without government money. And that is without making allowance for the cost of the delay caused partly by the government's futile bid to secure private operators with little or no public subsidy.

There was no such pretence yes terday. The government is putting £1.4bn on the table, only thinly disguised as cash towards improvements for domestic rail travellers. Labour claims that allowing for the transfer of the assets of European Passenger Ser vices - the existing Channel train operator - and property associ-ated with the deal, that figure rises to \$5.7bm. The truth doubt making the fast link one of the biggest public infrastructure projects in history.

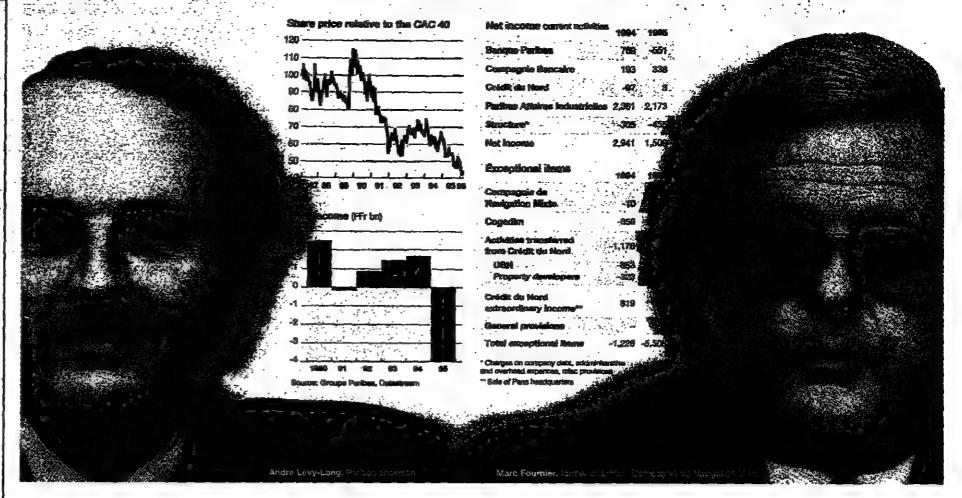
Lessons for PFI

There are lessons in this for the PFI more broadly. Other significant infrastructure projects notably the scheme to automate Britain's 20,000 post offices - have been seriously delayed by the determination to bring them within the PFI as a matter of policy. The principles underpinning the PFI remain sound if applied properly, case by case. That must involve factoring into any public/ private comparators the cost of delay, alongside other expenses such as the higher cost of the capital involved in PFI projects. This will not always make PFI an

attractive option. Then there is the moral of this saga for national transport policy. When the fast link is completed it will be the only such dedicated line in the entire UK. It barely counts as a national project. London & Continental claimed yesterday that rail services bypassing St Pancras and extending to Glasgow, Manchester and Birmingham would be "more competitive with air travel" after 2003, At five hours from Paris to Manchester, this

sounds like wishful thinking. It is unlikely that privatisation will transform Britain's rail network to deliver the high-speed services now common on the Continent. Yet there is no other policy under consideration for doing so. Britons are set to crawl through most of their countryside by train.

Groupe Paribas: poor record since privatisation



Trouble behind the facade

The FFr4bn losses at Paribas reflect the enormous challenges facing the entire French banking sector, says Andrew Jack

ust when the crisis in French banking seemed to be over the worst, the country's first important financial institution to announce its 1995 results this week issued the poorest figures in its 124-year corporate history.

Groupe Paribas, which controls a range of banking and investment businesses, reported its second ever loss: FFr4hn (\$796m) for the year, after making exceptional provisions of more than FFro.5bn.

The losses have much to do with the group's particular problems. But they hint at the challenges facing much of the country's banking sector. They also highlight the continuing difficulties facing Frenchstyle capitalism, with its penchant for cross-shareholdings and interlocking directorships - which can cause conflicts of interest and inhibit reforms that would help the companies concerned.

From its beginnings in 1872 as the Banque de Paris et des Pays-Bas, Paribas has always been international in its activities. In the past few years, it has increasingly emphasised an "Angio-Saxon" style commitment to corporate governance and the interests of shareholders. Yet its structure and ownership remain linked to a history which is quintessentially French.
A record 3.6m shareholders

invested in the group's privatisation in 1987 - five years after it had been nationalised under former socialist President François Mitterrand in 1982. They were attracted by a marketing campaign geared to the mystique of an investment bank and symbolised in its advertisements and corporate logo by the stone doorway in the historic central Paris headquarters it has always

Nearly a decade later, they are finding that some of the assets managed behind that door are far from healthy. Apart from a brief peak at the end of 1989, the group's share price has languished below its privatisation level. Its market capitalisation stands at about half the value of its net assets. And its return on equity for 1995 was just 3.7 per cent.

The group is split into four units: Banque Paribas, the investment bank; Compagnie Bancaire, its spe-cialist credit division; Credit du Nord, a retail banking business; and Paribas Affaires Industrielles, a holding company of investments in a range of French and overseas companies.

Many of the problems facing the first three of these divisions are common to the whole French banking sector. Like other banks, Paribas has suffered heavily from the weak property market. The protracted decline in the residential and commercial sectors since 1990 with a drop in prices, falling rents and lack of sales - seems only now

to be reaching its nadir.
Mr André Lévy-Lang, chairman, stresses that Paribas was among the first to warn of the risks of the market in 1991. Even so, it was forced to make heavy new provi-sions for 1995, including FFr1.2bn for property development lending by Credit du Nord. The group also made provisions of FFr1.9bn for Cogedim, a property developer now

And like other French retail banks. Crédit du Nord suffered from declining revenues, down 4 per cent during the year. That was linked to France's gloomy economic pros-pects, which had a dampening effect on demand for loans from companies, and to a corresponding growth in competition between the banks which cut into margins.

Banque Paribas, the group's investment bank, also suffered during 1995 - like its peers. It disclosed January that its Madrid office had generated losses of FFr250m from trading in Spanish bonds which had been concealed by those involved. More fundamentally, it

suffered from a decline in the volume of activity in global markets. Losses for the year were FFr551m.

has in the last few years has been its investment portfolio which holds stakes in more than 200 mediumsized companies. Last year was no exception. Those investments generated FFr2.2bn, the bulk of operating profits before provisions.

modern banking activities and are more a function of its old "banqueindustrie" approach which involved taking large investments in industrial companies from which it hoped to earn substantial banking fees.

investments are profitable, Paribas has also attempted to build controlling stakes which proved disastrous. The largest single provision taken by the group in 1995 was FFr2.2bn, which represented a write-down in the value of its shares in Navigation Mixte, a holding company over which it failed to gain control dur-ing a takeover hid in 1989. There are fashions," says Mr

charge of a Paribas subsidiary. "At that time, it was to acquire and grow. The idea was to keep up with Suez." he says. Suez is another large French holding company which has been coping with heavy losses incurred by a takeover spree in the late 1980s, which brought Société Générale de Belgique and Victoire under its control at consid-

erable cost.
After its bid failed, Paribas was left with a 30 per cent stake in Navigation Mixte, which in turn held 9 per cent of Paribas. The position was frozen under an agreement between the two groups which ran until last summer, at which point Paribas launched a surprise vote of no confidence in Mr Marc Fournier,

the Navigation Mixte chairman. ousting him with the help of other eading shareholders.

The backbone of profits at Pari-

But critics say the investments have little to do with the group's

Lavy-Lang, who at the time was in

This week, it announced the purchase of a further 20 per cent stake in Navigation Mixte, and the launch of a takeover bid for the remaining shares. Since appointing a chairman to replace Mr Fournier, it says it has discovered that the value of the group was far less than previously stated. It has written down its shares to FFr845, compared with an

average purchase price in 1989 of But Navigation Mixte was not the group's only attempt at empirebuilding. In 1991, it acquired majority control of Ciments Français, a cement producer, from Axa, the insurance group. It sold it the following year to the Italian group Italcimenti, which discovered a

and inflated profits. As a result, Paribas was forced to refund part of the sale price of Ciments Français, And French magistrates began to raise questions about whether Paribas did or should have known about the transactions, and have placed a number of group executives under formal examination - including Mr Levy-

series of undisclosed acquisitions

Lang last December. With Axa being a shareholder in Paribas, the Ciments Français affair raises the broader issue of the intertwined structure of Paribas shareholdings. The group remains closely linked with a number of other French groups, including Assur-ances Générales de France.

Mr Levy-Lang argues that while cross-shareholdings can lead to conflicts of interest in other groups such as Suez, there is no such problem in the case of Parihas Others are more sceptical, and say his position as chairman and the company's business strategy depend on inter-locking interests between Paribas and a core of investors.

Some argue that Paribas suffers from the same criticism that it lev-

elled at Navigation Mixte: that as a holding company it offers little added value to the divisions it controls and lacks a clear strategy. They say it lacks the size to compete against international banking groups, and predict that the group's chairman will be replaced and Pari-

bas will be taken over or broken up. Mr Lévy-Lang says the same criticisms have been made for at least a decade, and yet the group survives He argues that there is a coherence to the existing structure, which he classifies under two categories: an international wholesale investment bank, incorporating equity invest-ment activities; and a retail bank-

He says the way forward iles in continuing to develop a range of innovative products and services in niche markets, in a process which "sometimes takes some time".

Meanwhile, aside from the latest provisioning and restructuring, he is promising to sell FFr15bn in assets over the next three years. most of which will be used to provide additional resources for Banque Paribas. He is also pledging to deliver a return on equity of 10 per cent by 1999, and 15 per cent in the medium term.

That will not be easy to deliver against the backdrop of sluggish economic recovery in France and intensifying competition between domestic retail rivals and international investment banking giants abroad. And investors, including those in France, are becoming hungrier for better returns. Mr Lévy-Lang remains resolute.

He tells the story of two dinosaurs millions of years ago walking along a beach who saw a snake coming out of the sea. They turned to each other and asked: "What is that out-

Mr Lévy-Lang says: "I like to think that we are that snake." The only difference is that Paribas does not have an aeon to test its survival

OBSERVER

lust between friends

M Swiss financier Stephan Schmidheiny's recent purchase of SFr250m worth of Union Bank of .. Switzerland registered shares has intrigued the guomes of Zurich But they do not have to cast their minds back too far to understand why Schmidbeiny might be in a particularly helpful frame of mind in 1989, URS bought PBZ Privathank Zurich, a small portfolio management bank 10 per cent owned by Schmidheiny.

Questions were raised at the time concerning PBZ's health, not to mention a possible conflict of interest with Schmidheiny being on the UBS board. Two years later, UBS announced that due to "a deterioration in the income opportunities in the

hanking sector", PBZ had to be

merged with another IMS

subsidiary. It was a disaster, says a source close to UBS. Now, as the UBS board is under a proxy siege from maverick Zurich broker Martin Elmer Schmidbeiny appears to have ridden to the rescue with his recent purchase. The registered shares sell at an effective 11 per cent premium to the hearer shares. meaning that he could have got the same return for some SFrillim less :

by buying bearer shares.
But the registered shares have

five times the voting power of the

bearers and Schmidheiny has made clear he will vote his 1.1m shares, carrying a useful 2.5 per cent of the total votes, in invour of the board.

Water line

I is the last of the "Golden Greek" shipping tycoms about to transfe control of his fleet to his youngest son, Constantine?

Stavros Niarchos, 86, has been in a Swiss hospital for almost a month. Constantine and his brothers, Philippos and Spyros, are keeping a bedside vigil, according to a family friend.

Constantine, 34, has shed his playboy image and now puts in what the friend calls "fairly regular hours" at the Niarchos offices in London. His mentor is Malcolm Walker, who mas the group's day to day shipping operations.

Unlike most Greek shipowiers, who take wide in having a hands on style, Niarchos has for, years preferred to delegate. This gave him time for other interests. among them breeding racehorses and putting together collections of Impressionist art and Greek

ntiquities.
After the death of his arch rival Aristotle Omassis in 1975, Niarchos allowed his fleet to shrink from more than 70 ships to fewer than 30. But recently be had shown interest in acquiring more toxusase If he gets the nod from his father, Constantine's first task will be to

complete negotiations with Daewoo of Korea for a couple of new supertankers.

Unlike young Spiro Latsis, the eir-apparent of the less wealthy Latsis family, Constantine Niarchos seems intent on turning himself into a shipping tycoon.

Over and out

■ Kenya's defeat of the West Indies must be one of the biggest appets in the history of World Cap cricket. The last time that the West Indies faced such a humiliation was in 1969 when they were all out for 26 in a match against beland. However, they had an excuse that time.

They had been on a works outing to the local Guinness brewery the

Memory lane

Lionel Mee is not a household name. But back in 1966 he helped change the face of British politics. . As a raw recruit to the Standard Chartered Bank, Mee was sent to-Nigeria, with five colleagues, as the Biafran war was flaring up. One of his colleagues was young John Major, who suffered a serious knee injury in a car crash in the town of Jos a few months into his assignment, Mee organised Major's mation back to Britain and beloed stretcher him on to a VCIO.

Thirty years on, the two met up

again yesterday in the unlikely setting of Bangkok's Hilton hotel. Standard Chartered had thrown a party to celebrate its move into new premises in Bangkok which organise. Since the prime minister was in town at the start of his Far East tour, he was invited along for old time's sake

Never one to blow his own. trumpet, the prime minister recalled his 13 years with the bank, and his hair raising first few months. They called for volunteers for Nigeria," he said.
"and as they were looking for the most expendable mainhers of staff. they chose me." Mee, who has retired from the

bank but still works for them as a consultant has tracked Major's progress throughout, writing him stiers on each promotion within the cabinet. If only Tory MPs were:

that loyal. Ohi Standard Chartered baseds still talk fondly of Major. Who knows, if the prime minister were ever to quit politics he could end up as chairman of Standard Chartered_But knowing his luck it will probably be taken over before he has the chance.

Purple reign

For her post-divorce title. Diana could always follow the example of the singer from Minneapolis and become "the aristocrat formerly known as Princess".

Ginancial Times

50 years ago Rand taxes reduced

Abolition of the special 22% per cent Special Levy on gold-mining profits and the removal of the 15 per cent basic tax were recommended by Mr. Holmeyr. Union of South Africa Finance Minister, in his Budget introduced yesterday. In their place, he proposes to substitute an increased tax formula, which will show a higher yield and encourage low-grade mining Benefit of the tax reductions. which include the abolition of native pass fees and claim licenses, amounts to about £3,000,000 per amnum. Mr Hofmeyr said that as a state the Union had "ceased to be a... foreign borrower."

Coal supplies Holders of shipping share's should bear in mind that the present shortage and high price of coal hit owners hard and in two places. Any owner of a coal-borning ship feels just now that he is in a volmerable position, and the owner of a tramp ship looks with auxiety to the bleak prospects of obtaining ontward coal cargoes. It will be a serious matter for the shipowner and the country if the United States or Poland are able to consolidate sales in overseas markets while the U.K. coal industry is experimenting with nationalisation to the grave detriment of output

FINANCIAL TIMES

Friday March 1 1996

LEGAL DEFINITIONS

leasehold n. & adj. 1 judo grip in which an opponent is partly restrained (half lease) or completely restrained (full lease) 2 the halding of

Rowe & Maw

IRA ceasefire response is sick joke, says Major

John Kampiner in Bangkok

Mr John Major, UK prime minister, last night described as a "sick joke" a statement from the IRA indicating it was not ready to renew its ceasefire in response to Wednesday's Anglo-Irish initiative to rebuild the Northern Ireland peace process. After a day of confused specu-

lation about the IRA's plans, Mr Major reacted furiously to an equivocal statement from the paramilitary group's ruling army council, in part to reassure prounionist Tory backbenchers that he had not softened his commitment to forcing the paramili-

taries to give up their arms.
In its statement, the IRA said the British government had been responsible for the renewal of its terrorist campaign by failing to put in place "inclusive negotia-

tions free from preconditions". The army council statement was "nonsense" and a "pathetic response to the hopes and dreams of the people of Northern Ireland", Mr Major said in a BBC

Daiwa plea

price rose, reflecting relief the

fine had not been as high as had been feared. But the damage to

Daiwa's reputation from the suc-

cessful prosecution makes it

highly unlikely the bank will be

able to survive alone.

Daiwa has refused to rule out

the possibility of a merger with

another bank, most notably

Sumitomo, one of the country's

largest lenders. Last month,

Sumitomo acquired most of Dai-

wa's remaining assets in the US

and relations between the two

remain strong. Mr Kaiho said there were no

plans for an early tie-up between

Last November. Daiwa was

expelled from the US by Ameri-

can regulators after discovery of

the losses cover-up. The Japanese

authorities then ordered a sub-

stantial scaling down of the

But the finance ministry may

find a full investigation of the

plea bargain uncomfortable. Dai-

wa's lawyer in New York said the

bank had decided not to release

details of the losses soon after it

discovered them last summer,

partly because of consultations with the finance ministry itself.

Daiwa says it discovered the

losses in late July last year. On

August 8 it reported the problems

to the ministry. A senior banking supervisory official told Daiwa

the problem had come at a difficult time for Japan's financial

system, then beset by a string of

smaller banking collapses.
Since the scale and details of

the Daiwa loss were uncertain,

the official said, the immediate

release of information about it

could increase the crisis. Daiwa

was told it would be better to

achieve further clarification of

the loss before revealing it.

bank's global operations.

the two banks.

Continued from Page I

the morning in Bangkok, where he is attending a European Union meeting with south-east Asian nations, he said "most people would be fed up to the back teeth with comments of this sort that we get so repeatedly from the

Earlier he had warned that in the absence of tangible proof of the terrorist group's conversion to non-violent action, the "demo-cratic process" of finding a political settlement would not "stop and wait" for Sinn Fein, the

IRA's political wing.

Mr Major said Sinn Feln had "the opportunity to join" all party political talks "if they restore the ceasefire, begin to talk" and "meet the six principles" set down in US Senator George Mitchell's report into how paramilitary groups should decommission weapons.

"I am these days not quite so impressed by words", he said. "I um impressed more by actions." Labour and the Liberal Democrats have praised Mr Major for attempting to restart the peace

process on Wednesday with the

By Michael Skapinker,

many in the project.

Aerospace Correspondent,

China has told the French.

British and Italian companies

which have entered the contest

to help build a 100-seat Asian jet

that they have no chance of win-ning unless they include Ger-

Companies from the three

countries had excluded Daimier-Benz Aerospace of Germany from

their bid and from a regional air-

craft group they set up because of uncertainty over Fokker, the

crisis-hit Dutch company Dasa

able bitterness in Germany.

Their decision caused consider-

Dasa's exclusion from the proj-

ect was a rare instance of dis-

agreement between France and

Germany, which have worked

together for decades to build

The Chinese insist that a Euro-

pean country of Germany's

importance must be included in

If Germany is now included in

the Asian jet bid, the project is

likely to be run in co-operation

with Airbus Industrie, the European manufacturing consortium.
China and South Korea have

invited bids from several western

companies to help them build the

jet. Aérospatiale of France, Brit-

ish Aerospace and Alenia of Italy have submitted a bid through

Aero International Regional

(Air), the joint aircraft company

Boeing of the US is another

Dasa submitted a separate bid

contender to be the Asians' part-

they established this year.

Europe's serospace industry.

the project.

Beijing wants Dasa

to join jet project

que issued with the Irish pre-June 10 date for all-party talks on a Northern Ireland political set-

Following the release of the communique, the Sinn Féin president, Mr Gerry Adams, and the leader of the moderate national-ist Social Democratic and Labour Party. Mr John Hume, held talks with the IRA's ruling army coun-

The IRA left quite clear that Mr Hume and I wanted to see an end to all armed actions", Mr Adams said yesterday. In its statement, the IRA's

army council said that it responded to the approach from Mr Hume and Mr Adams by restating its "absolute commitment to our republican objectives which include the free exercise by the Irish people of our inalienable right to national self deter-

The IRA did not however rule out an eventual ceasefire. It was "prepared to face up" to its responsibilities, so long as "others...do likewise".

The German bid was thrown

into doubt, however, when

Daimler-Benz, Dasa's parent,

recently refused further financial

assistance to Fokker, forcing the

Dutch company to seek protec-

China and Korea have since

quarrelied about where final

assembly of the jet should take place, leading some in the indus-

try to conclude they could go

China, however, appears deter-

mined to continue with the proj-

Aerospace executives say that the Chinese have seen the col-

lapse of Fokker as an opportunity

to insist the Europeans work

together. Dasa and the Air part-

ners submitted separate bids

because the Germans insisted

that some of the final assembly

of the jet should take place in

Europe to provide Fokker with

The Air partners thought it was unrealistic to expect the Chi-

nese and Koreans to agree to

Dasa is no longer under pressure

to find work for it.

Dasa has pressed for Airbus to

be involved in the 100-seat proj-

ect. Dasa, BAe and Aérospatiale

are shareholders in Airbus, but Alenia is not. However, the Airbus shareholders have said they

would like to involve other com-

panies in specific projects, with-

out making them partners in the

Fokker attracts attention of

overall Airbus structure.

FT WEATHER GUIDE

Now that Fokker has collapsed.

tion from its creditors.

their separate wave.

Brittan will ask China to lift news

Trade Organisation.

that information supplied to

at a meeting in Bangkok today. His comments came after the question of China's membership of the WTO had already surfaced at the Europe-Asia summit.

Mr Li Peng, China's prime min-

ister, yesterday told Mr Jacques Santer, European Commission president, that Europe had not done enough to support China's

strongly favoured Chinese membership on appropriate terms and was prepared to express this support independently from others, such as the US, if the conditions were right. China would have to immediately and could phase oth-

restrictions

China announced in January

But although China is known to be concerned that information flows can aggravate volatility in its fledgling financial markets, industry executives said it appeared more likely that Xinhua

na's move was inconsistent with international trade rules and would not be acceptable if it were a member of the WTO. He said he would convey this to Mr Qian Qichen, China's foreign minister,

membership.

But Sir Leon said Europe take some liberalising measures ers in over time, because it was a country in transition, he said.
But it had not yet done so.
Nonetheless, he said the
involvement of China in this

Ted Bardacke in Bandkol

financial markets by news agen-cies such as Reuters and Bloomberg would have to be passed through its own Xinhua agency. worries about efforts by China to censor financial news which

The meeting is expected to endorse the idea in broad terms, amid worries expressed by some Japanese officials that US demands on China are discouraging it from actively pursuing

to bring its copyright provisions into line with international agreements, a move which Sir Leon described as "a step in the China, Page 23 right direction."

Sir Leon Brittan, European trade commissioner, will today tell China that its recent decision to restrict circulation of financial information in its domestic market is a setback in its efforts to join the World

The announcement sparked

could even extend to Hong Kong

was seeking a financial cut in a market with considerable growth prospects.
Yesterday Sir Leon said Chi-

week's summit was an important part of the process of engaging it in the international community.

Separately, Sir Leon said Japan appeared to have taken note of EU concerns that the pace of economic deregulation had slowed under the government of Mr Ryu-Tokyo had since taken action

THE LEX COLUMN

BAe's strategic defence

The most important number in British Acrospace's results published yester-day was the revelation that its tax charge for the next five to 10 years will be 27 per cent rather than the standard 33 per cent. This is because BAe is sitting on deferred tax assets of \$541m (\$833m), stemming from previ-ous large losses. As a result, earnings will be about 9 per cent higher than expected in future years. Given that this news came out of the blue, it is astonishing that BAe's share price

barely rose. The other piece of good news is that BAe is apparently pursuing alliances in the European defence/aerospace industry with its head firmly on its shoulders. Restructuring Europe's industry on transnational lines is essential if it is to enjoy anything like the economies of scale the newly-rationalised US defence industry is likely to obtain. The snag is that insufficient scale is only one of the problems European aerospace groups face; their other problem, BAe excepted, is

The risk might have been that, in its eagerness to cut deals, BAs might engage in mergers either without insisting on its partners improving efficiency or by helping to pay for partners' cost reductions. Yesterday, it went out of its way to say that it will not. Such a hard line may complicate negotiations with the likes of Daimler-Benz Aerospace and Aérospatiale, both of which are bleeding red lnk. But it offers BAe shareholders some assurance that, if deals are done, they

Dual shareholdings

ABB's move to restructure its board should simplify decision-making and strengthen links with its shareholders. Like most cross-border combinations the Swiss-Swedish engineering group was set up with a dual shareh structure at the time of its 1988 merger. That may have been necessary to minimise tax problems and satisfy national pride, but it is clearly not ideal. Separate holding companies in different countries can make the group cumbersome to run, often leading to compromise when decisive action is needed. Unilever and Shell, which both have dual shareholding structures, have lately lost ground to

Under the new structure, shareholders in Sweden's Asea and Switzerland's Brown Boveri will each approve four directors, who will sit on the ABB

board which controls the business. ABB will also take over the two holding companies' remaining non-core

operations and assume responsibility

for distributing dividends. This is still second best to a proper company with a unified shareholding a goal ABB is working towards though there are still tricky legal and tax problems. Meanwhile, this more streamlined structure is a useful transitional step. It solidifies the merger and should make the group more attractive to investors. It may also serve as a blueprint for restructuring sensitive sectors like the European defence industry, where shareholders' interests have traditionally lost out to

European airlines

Despite a buoyant climate for airlines worldwide, too many in Europe continue to report losses. Can they ever be shaken into shape?

Optimists argue that pressures for reform are slowly delivering results. Lufthansa's turnaround has certainly shown that it can be done. Meanwhile the European Commission is trying to attach tougher conditions to government bail-outs. And the Belgian government has proved surprisingly willing to step back from Sabena's chronic problems; this week it unexpectedly allowed Swissair, which has a 49 per cent stake, to parachute in a Swiss chief executive.

But the Sabena episode can be interpreted another way; the old chief executive had to go because his hard line caused too much trouble with the company's unions, Similarly, Alitalia's new chief executive seems conspicu-

ously welcome to the unions. Neither appointment bodes well for cutting labour costs - the central problem for

Biedsignal sell

ake arm to Bose

Europe's basket-case airlines.

Moreover, for all the conditions he attached, the decision by Mr Neil Kinnock, European transport commissioner, to allow another slug of state aid to Spain's Iberia makes a nonsense of Commission attempts to make each subsidy the last. This greatly reduces the pressures on underperforming national carriers to take tough deci-

Low-cost competitors oppose subsidies because they distort the playing-field. But in practice, they are unlikely to be enough to prevent high-cost businesses from losing market share. With the European market being opened up to full competition next year, some low-cost operations must be applying their hands in anticipation.

Channel rail link

By awarding the contract to him the channel rail link to London a Continental, the British government had done potential investors a rayour Unlike its rival, Eurorail, the L&C consortium does not include construction companies; without them, it should be able to drive a tougher deal with the contractors that will build the line. Moreover there is some chance that Virgin's marketing skills will help turn around Eurostar, the existing line which was supposed to be a juicy dowry for the winning bidder but is, in

fact, heavily loss-making. But L&C, and particularly SBC Warburg which has boldly taken an 18 per cent stake in the venture, should not crack open the champagne yet. The real challenge – persuading investors to stump up billions to build the new line - is still ahead. This is likely to prove very tricky. After Eurotunnel, investors will inevitably take an extremely passimistic view of the new line's construction costs. And arguably even bigger worries surroun future revenues. As Eurostar's painful experience shows, projecting future travel demand – in this case well past the turn of the century - is not much easier than predicting the weather. As recently as two years ago. Eurostar

was expected to carry 5m passengers this year, it is actually carrying 3m.

It is perfectly possible to make money by buying rail shares – even Eurotunnel outperformed strongly early on. But train spotters in search of a bargain would do better to go for Railtrack instead.

September 1 Sept 1993

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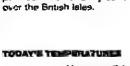
Sunny conditions will prevail in southern

Europe today

Scandinavia, Cloudy conditions with patches of light snow will linger over north-west Russia across Belarus towards Hungary. Most of Russia will stay dry and Moscow will have sunny spells. The Balkans will be cold and mainly dry with sunny spells. An active low pressure system will bring widespread rain to Turkey and the south-west will have strong north-westerly winds. Other parts of spells. The Bonelux and northern France will be overcast. The Riviera and the Po valley will be sunny. High pressure will result in tain conditions over the British Isles.

Five-day forecast

Eastern Europe will remain cold. After the weekend, western Europa will be unseasonably cold although it will remain dry and sunny. The southern Mediterranean will have rain. Dry and sunny conditions will pen:nsula. Fair and dry conditions will persist



Lufthansa

(LOW)

FINANCIAL TIMES

COMPANIES & MARKETS

Friday March 1 1996

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By Paul Taylor

expansion

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AlliedSignal sells brake arm to Bosch

Bosch Group, the German industrial group,

yesterday moved to strengthen its position in the brake business with the purchase for \$1.5bn (2970m) of the light vehicle braking operations of AlliedSignal, writes Richard Waters in New York. The agreement, which follows several months of discussions between the two over a joint venture, will bring together AlliedSignal's conventional braking prod-ucts with Bosch's antilock brake system operations, a field where the German company claims a 25 per cent market share. The AlliedSignal unit generated about \$1bn of its \$2.1bn in revenues last year in Europe, with most of the rest coming from the US. The US group said it would reinvest the money in other, higher-margin businesse

ABN Amro lifts profitability targets



ABN Amro, the Dutch bank, has raised its internal profitability targets after delivering a 14.4 per cent increase in net profits last year to Fl 2.62bn (\$1.6bn). Mr Jan Kalff (left), ABN Amro's chairman, said that the group would now aim to per cent annual growth in earnings per share, com-

pared with an earlier target

of 6 per cent. Page 22

Nokia falls from pole position Two profits warnings in three months and a 50 per cent collapse in its share price since September suggest the golden days are over at Nokia, the Finnish telecoms group, after a three-year run as one of the world's leading high technology stocks. Page 23

US stores struggle on weak demand Although most big US retailers put on enviable increases in quarterly revenues to January, custom ers proved so reluctant to shop that retailers slashed prices to keep goods moving. The result: higher sales but serious damage to gross margins.

Hongkong and Shangkai Hotels alread Hongkong and Shanghai Hotels, the hotels and property company, reported a 27 per cent rise in net profits for calendar 1995, from HE\$512m in 1994 to HK\$662m (\$34.3m), comfortably meeting market

SmithKline Beecham shuts sites SmithKline Beecham, the Anglo-US pharmaceuticals company, is to shut or sell more than 10 per cent of its manufacturing sites in a restructuring triggered by acquisitions in 1994. Page 26

22 Lucas industries

Willis Corroon

Companies in this issue

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Investors welcome BP/Mobil deal

Shares in British Petroleum neared record highs yesterday following confirmation that it was to combine its downstream fuels and lubricants businesses in Europe with Mobil

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The partnership will create the second largest oil marketer in Europe with a 12 per cent market share and sales of \$20bn a year. Investors welcomed the deal as a way of improving the companies' competitive position in a cut-throat market and marked the shares up 10% to 539%p - just below a high of 555p reached in January. Mobil shares rose \$2% to \$110% in early

However, other large oil companies

their shares slip because the City believes the deal will put pressure on them to rationalise their downstream operations. Sir David Simon, BP chairman, said yes-

terday the deal would bring significant cost savings to the two as well as a platform for growth, particularly in central

are expected within three years. The two will share a restructuring cost of \$400m. BP will take a 70 per cent stake in the fuels side and will manage the operations, which include 8,900 service stations. Mobil

West Securities, believes the deal could boost BP's earnings by about 5 per cent, or by between \$170m and \$220m a year, of the total, after a charge of \$200m.

It would mean an additional \$90m to \$110m for Mobil's bottom line. Mr Lou Noto, chairman of Mobil, said the decision to form the partnership was not based "on despair or desperation, but on opportunity". This is in spite of persistently poor and fierce price competition on petrol

partnership had been made in mid-Atlantic: "We were both flying across the Atlantic many times thinking about how to make our businesses more competitive and at one point in mid-Atlantic we both thought 'Good golly, why not form a part-

But he said there were no plans to extend the partnership into other areas or outside Europe.

The two companies' European businesses make a good fit geographically and Sir David said both operators had a similar management philosophy. "We both offer a great deal of flexibility to our teams to implement performance," he said.

computer manufacturer and retailer, will announce today funding for its ambitious European expansion programme. Shares in the group, which acquired more than 200 Rumbelows stores in the UK last year,

Subscribers (m)

were suspended yesterday pend-

On-line services have more subscribers . . .

.... America On

ing today's announcement.
Escom, which is majority
owned by its founder Mr Manfred Schmitt, has grown rapidly to become one of the largest PC manufacturers in Europe.

Siemens Nixdorf, part of the German electronics group, also has a 10 per cent stake in Escom. In December it became the lat-

est PC vendor to warn of losses in the normally buoyant fourth expected DM45m (£20.2m) loss in the quarter on weak sales and costs of international expansion. It has grown rapidly through a

combination of aggressive pricing and an international expan-It has acknowledged that the

costs of expanding its retail net-work, particularly in the UK, were a factor in its weak results. Nevertheless it has insisted the new UK outlets would make a "considerable contribution to profits" in 1996.

Fierce price competition and the battle for market share in the consumer personal computer market has resulted in a number of PC manufacturers reporting

disappointing 1995 figures.
Although a record 65m PCs were sold worldwide this year fourth-quarter sales falled to match up to some companies

over-optimistic forecasts. The PC price war has put margins under intense pressure, plunged a number of previously profitable companies into loss and prompted renewed speculation about an industry shake-

In Europe, the market outside Germany is dominated by US vendors and few indigenous PC manufacturers are making money. Olivetti, the Italian information technology group, has warned that its troubled PC business would be closed unless it achieved break-even by the

Recent Dataquest shows that Escom's market share of units sold in the fourth quarter fell from 4 per cent in 1994 to 3.2 per cent last year and it ranked as Europe's 10th largest PC seller, down from sixth a year earlier.

end of this year.

and eastern Europe.

Cost savings of \$400m to \$500m a year

will have a 51 per cent share of the lubricants business and will run that including the blending plants.

Mr Noto said the partnership would pur-

returns in European refining operations retailing in the UK, France and Germany.

sue cost savings and efficiencies in Europe. "In Europe we want to stay and Online industry's explosive growth prompts US telecoms group's free access offer

AT&T's big guns Potholes in the superhighway

reverberate across cyberspace

T&T has sent a shock wave through the computer online services industry with its launch of a USwide internet access service, offered free for the first 12 months to residential telephone

The entry of the US's largest telephone company into the Internet arena is the latest in a rapid-fire series of changes reshaping the online services industry, which provides computer users with information and communications facilities. Shares in the industry reacted dismaily to the news. Netcom Online Communications, UUnet, America Online and PSInet were marked

The launch of AT&T WorldNet, as the service is called, marks the beginning of a new round of competition in the Internet access market, analysts said. It comes on the heels of Sears' decision to sell its 50 per cent stake in Prodigy, the world's third largest computer online information service. and of H&R Block's announcethat it plans to spin off CompuServe, number two in the online industry, as an independent public company.

Underlying these changes is the explosive growth of the global Internet. At the last count, in January, there were at least 9.5m "host" computers and networks linked to the Internet, a 95 per cent increase over the previous 12 months. A "host" computer or network

is one that has its own address on the Internet, such as unnuft.com. While some hosts are single-user personal computhundreds of users. Excluded from the "host count", which is produced by Network Wizards, a California computer services company, are many computers that are hidden from public access behind security firewalls.

It is "anybody's guess" how many people are now using the Internet, says Mr Mark Lotter, who owns and operates Network Wizards. However, the most conservative estimates put the number of users at about 35m. Whatever the real numbers,

they are big enough to attract the attention of the world's largest telecoms companies. Internet access is becoming the "multimedia dial tone of the 1990s", a hasic service that will become as commonplace as the telephone, says Mr David Hood, AT&T vice-president of marketing.

AT&T will offer its 80m resi-

dential telephone customers up to five hours of free Internet access for the first 12 months and unlimited access at the competitive rate of \$19.95 a month thereafter. Rates are higher for those long-distance telephone services. AT&T's action is expected to spur its US telecommunications rivals MCI and Sprint to emand their internet services and drop prices. US regional telephon companies including Pacific Bell. the west coast telephone company, are also expected to enter the fray. And Tele-Communications, the largest US cable television company, is planning to launch its Internet service next

month.

for consumer access to the Internet, the entry of the "big guns" of the communications industry es a serious threat, according to industry analysts. They predict a price war.

1986 88 90 91 92 98

Host computers linked to the net are rising

The future of proprietary online information services such as America Online, CompuServe and Prodigy has also been thrown into question.

ust a year ago, it was possi-ble to draw clear distinctions between the Internet - an unregulated, chaotic but exciting new world of online information irces - and the more structured environment of these proprietary consumer-oriented

The lines have become blurred, however, as the online service providers have moved to offer links to the internet, or "gateways," while many Internet

Until just a few months ago, the online services seemed to have the upper hand. AT&T was forging partnerships with publishers such as the Washington Post and planning its own content for interchange, an online service it acquired from Ziff Davis, the US publishing group, for \$50m. Interchange is being phased out in favour of the direct Internet access service. Microsoft, the world's largest software company, has realigned its Microsoft Network online service. introduced last August, as an

information resources.

adjunct to the Internet. There is, however, a growing market for "non-internet" online Over the past three months

America Online, the leading service, has added im subscribers. bringing the total to more than

continue to thrive, many analysis

unique services and provide a 'sense of community" that is lacking on the Internet. America Online, for example, offers live "chat rooms" where subscribers can exchange messages with other users. These are a big attraction for many subscribers. Similarly, CompuServe is known for its "forums" or online discussion groups.

but it's not all good news

Share prices (rebased)

Moreover, with their established subscriber lists the online services may be able to attract more advertising, which is expected to become the primary source of revenues for online and Internet services as subscriber rates fall under competitive pressures.
While AT&T may be able to

win over subscribers quickly with its offer of free Internet access, the company has yet to demonstrate how it can make a profit on Internet access services say competitors.

Louise Kehoe Network notes, Page 24

The leading online services will For the specialist Internet access companies are now providaccess companies which have, ing their subscribers with "naviers, many are networks serving until now, dominated the market gational tools" and exclusive believe, because they offer German watchdog to examine

Germany's insider dealing watchdog said yesterday it would Gildemeister, the German machine tools maker, whose shares plunged 29 per cent on

Gildemeister warned on Tuesday it would not report a profit for 1995 as it had forecast. Throughout the day rumours had swept the Frankfurt and Düssel-dorf stock exchanges that a machine tool maker would make

Its shares have been subject to gyrations for over a week. From DM157 on Thursday, they dropped sharply on Tuesday. recovering later. The Wednesday

after the announcement the shares dropped to DM102.50, recovering again yesterday.

Gildemeister share movements

The Federal Supervisory Office for Securities Trading said yes-terday: "We are definitely going to look into this, although we are not going to drop everything else and give special priority to this case." He said the agency was curious about the manner in

which the news was announced. The company issued a press release, apparently to spread the news as fast as possible. German law requires a company to announce market-sensitive news to the stock exchange and the securities watchdog before the public is told.

Apart from the wild fluctuations in the Gildemeister share price, suspicion has also been aroused by unusually high trad-ing volumes. With normal trading volumes running at around 10,000 to 20,000 a day, dealing in Gildemeister shares became fre-netic between Friday and Wednesday, with trading volumes rising to about five times average levels. Even though Germany operates

fight against insider dealing is in its infancy. In a year of opera-tion, the watchdog has collected evidence to support a small num-Suspicious share movements

ahead of sensitive announcements remain common in German markets, and reaffirm a prejthat outsiders tend to lose out in

BAe chief unveils profits rise and denies plan to raise Airbus stake

By Bermard Gray, Defence Correspondent

Mr Dick Evans, British Aerospace's chief executive, yesterday denied that the company was interested in lifting its shareholding in Airbus Industrie, the European consortium, beyond its present 20 per cent as he unveiled a sharp profits rise.

Damping down speculation that the Airbus partners might be about to spend up to \$10bm developing an Airbus 3XX very large commercial airliner, Mr Evans added that proceeding with the 3XX would be dependent on attracting capital at low rates. That could mean government loans or cash injections from new partners, he said. Mr Evans suggested that

changing the status of Airbus

gle company could be one way to stimulate rationalisation in the European aerospace industry.

BAe announced that profits before exceptional items were \$330m (\$508.2m) for the year, a rise of 95 per cent on the 1994 figure of £169m. The strong profits recovery came despite a fall in sales from £7.2hn to £5.7hn.

Most of the turnover fall came because Rover, the company's former subsidiary, sold to BMW of Germany, had been included for 3 months of 1994. There was also a fall in defence sales of £320m to £4.3bm as a result of lower deliveries of Hawk light fighter aircraft. Despite this the division's operating profits reached £487m (£412m), reflecting

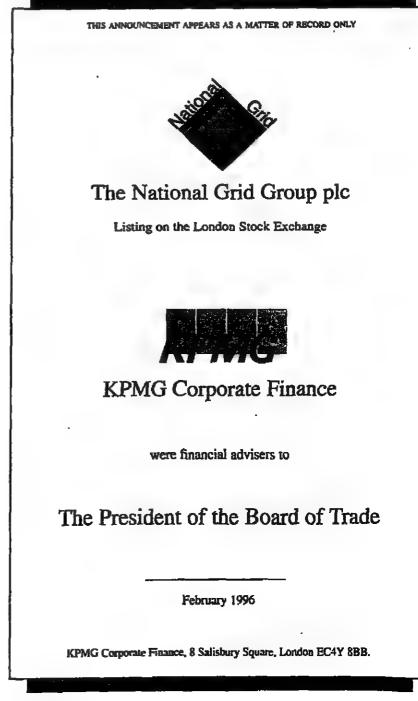
from a loose federation into a sin- craft division were cut to £118m. (£156m) despite an increased sale of RJ regional jets for lower priced cash deals. Interest

charges fell sharply from £99m to 524m as the impact of the sale of Rover and the proceeds of the year end

tation this month and its remaining stake would be worth between £530m and £570m.

1994 rights issue fed through. Operating cash inflow increase to £155m (£88m) and net cash increased to £203m (83m) at the BAe confirmed that the sale of 25 per cent of its stake in Orange, the UK mobile telephones company, was likely to produce cash receipts of £155m to £180m on flo-

BAe's earnings excluding exceptional items were 48.8p (22.6p), and its dividend for the year was increased to 12.5p (10p).



By John Simkins in Milan and Paul Taylor and

Olivetti Telemedia, part of the Italian information technology group, has reduced its majority stake in Britain's Acorn computer group by selling a 10.5 per cent stake to a US institutional fund.

Olivetti said it had sold 9.5m of its 53m shares in Acorn to Chancellor Capital Management, reducing its stake in the Cambridge-based group to 54.4 per cent.

The move, apparently insti-gated at the request of the US fund, was welcomed by Acorn which said it represented "a vote of confidence" in its strategy and technology. Earlier this week Acorn

blamed fierce competition in its core education market, plus exceptional costs for a £12.3m (\$18.9m) full-year loss which Mr Elserino Piol, chairman, called "very disappointing".

However, Acorn's outlook has brightened since the group announced a joint venture with Apple Computer in the UK education market and a contract from Oracle, the US database vendor, to develop chips to power so-called network computer

Last year Olivetti cut its stake in Acorn from 79 per

The disposal comes amid intense pressure on the companies of Italian businessman Mr Carlo De Benedetti, whose main industrial holding company Cir has L700bn (\$450m) debts.

Separately, Olivetti sold its subsidiary Zincocelere, which makes multi-layer printed circuit boards, to the management for an undisclosed price. NatWest Ventures, which led the deal from its newly formed Italian subsidiary, with CVC Capital Partners, said the deal involved raising L127bn, including funding for working capital and future expansion.

Olivetti unit ABN Amro raises aim after solid advance

ABN Amro, the Dutch bank, has raised its internal profit-ability targets after delivering a 14.4 per cent increase in net profits last year to Fl 2.62bn

Mr Jan Kalff, chairman, said the group would now aim to produce at least 7.5 per cent annual growth in earnings per share, compared with an earlier target of 6 per cent. The target for return on equity will be lifted from 12 per cent to 13

Mr Kalff said both were conservative targets which the group had exceeded in recent years. He acknowledged that these returns were still lower than those earned by some UK and US banks, but doubted whether US banks could consistently produce such high

ABN Amro, formed in 1991 from the merger of Algemene Bank Nederland and Amsterdam-Rotterdam Bank, has sharply expanded its interna-tional investment banking operations in recent years with the acquisition of London broker Hoare Govett in 1992 and Alfred Berg in Scandinavia last

"We have invested a lot of money on building up our investment banking capabilities, and there you have first the costs and then the revenues. But the momentum is



still there, and if I look in the pipeline I see so many deals feeling that 1995 will not be the last year we have good results," Mr Kalff said.

The bank would like to expand its asset management activities, and did not rule out acquisitions in corporate banking, but had no large deals now

"The prices in the asset management business are extremely high, and we are Dutch, so we are good at calculating the return on investment," Mr Kalif said.

The weakness of the dollar against the Dutch guilder last year, however, depressed pretax profits from all ABN international operations, which advanced

Photograph; Tony Andrews

only 3 per cent in guilder terms to Fl 1.58bn. Total pretax profits were 14.2 per cent higher at Fl 3.84bn.

ABN Amro boosted total income by 8.2 per cent in 1995 to a total of FI 16.21bn, with the fastest growth in revenue coming from the bank's overseas lending and investment banking activities. Operating expenses rose by

Aramco poised to complete \$350m Greek buy and marketing outlet, the alliance

offers a relatively close base from

which it could supply new markets in eastern Europe. The Saudis are expec-

costs rising sharply overseas but held virtually flat in the

Netherlands as a result of staff

cuts in the domestic banking

He said it would be difficult to

cut costs much further in the branch network, but consider-

able savings were likely from

head office costs, which are

General risk provisions dropped Fl 100m to Fl 1.4hn for 1995 - the last year for which

ABN Amro will not disclose its

hidden reserves. EU directives require disclosure by 1998, but

the Dutch banks plan to reveal

capital strength, since hidden

reserves are counted as Tier 3

capital under the Basic capital

closed reserves will count as

dequacy rules, while the dis-

ABN Amro's Tier 1 ratio

dipped slightly to 6.51 per cent

last year from 6.74 per cent in

1994, while its total capital

ratio fell from 11.02 per cent to

their reserves next year. This will have the effect of increasing ABN Amro's core

under review.

Tier I capital.

10.8 per cent.

network.

ted to take an active management role at MotorOil. The conglomerate, which started as a shipping operation run by Mr Vardis Vardinoyannis and his six brothers from Crete, is already active in Bulgaria

and Ukraine. Vardinoyannis is building a 290m lubricant plant in Ukraine and is also carrying out a \$300m fleet renewal programme at a Ukraine shipyard, with

nine tankers on order and options on building another 13 vessels

EUROPEAN NEWS DIGEST

Axel Springer to lift total payout

Axel Springer, Germany's media group and publisher of Bild, the mass circulation daily, and Die Welt newspaper, is to issue a DM3 bonus and lift last year's total dividend by DM4.80 to DM17 after a rise in profits and turnover, Mr Jürgen Richter, the interest and turnover and transfer and turnover and transfer and turnover. Overseas costs were boosted because the bank decided to provide early for contributions of about \$50m which its US banking subsidiaries, LaSalle chairman, said yesterday. Preliminary net profits wilkinge DM19m, from DM123m in 1994 to DM142m (\$97.2m) last year. and European American, will Sales, including advertising revenue, will increase 13 per cent to DM4.1bn over the same period despite the confining increase in paper costs which rose DM128m to DM55/m last have to make this year to the US deposit insurance fund. Mr Kalff was insistent that the bank had no plans to sell LaSalle or European American.

Springer is struggling to maintain its share of advartising revenue, one of the most competitive markets in Europe.
Group advertising revenue rose DM63m, from DM1.76m to

Christiania Bank at NKr2.78bn

Christiania Bank, Norway's second biggest bank, almost doubled operating profits from NKr1.47bn to NKr2.78m (\$436m) last year, after writing back as income NKr1.18m previously set aside for loan losses. The bank's underlying performance also improved, with profits before loan loss write-backs rising by NKr1.22m to NKr1.73bn despite fierce competition for business.

Efficiency had improved, market shares had riser, and loan josses had been exceptionally low in 1995, the bank said it expects another good year in 1996, despite likely higher loan losses and continued low margins. The dividend is increased to NKrl.1, from NKr0.9. Christopher Brown-Humes, Stockholm

Capital gains lift Skanska

Skanska, Scandinavia's largest construction and real estate Skanska, Stantinavia a large to the stanting of the group, reports profits of SKr2.59bn (\$386.2m) for 1995, an increase of SKr392m if a one-off dividend of SKr379m in 1994 is excluded. Swedish construction operations reported lower operating profits despite higher invoiced sales, but the downturn was offset by capital gains from property sales and a stronger contribution from the group's expanding international businesses. Sales rose 19 per cent to SKr88-4bn.

The group said the sharp downturn in the Swedish construction market had levelled off in 1985, but annual housing starts were still at their lowest levels since the early 1900s. International operations increased operating profits from SKr51m to SKr293m as sales rose from SKr10.1bn to Christopher Brown-H

US takeover by Alusuisse

Alusuisse, the Swiss packaging, chemicals and aluminium group, has agreed to buy Mebane Packaging, a privately-owned North Carolina-based folding carton maker, for \$92m. Mebane, which has annual sales of \$120m and employs 980 people, is the leading folding carton supplier to the US phermaceutical industry.

Alusuisse, through its acquisition of the Canadian Lawson Mardon packaging group two years ago, has already become a significant supplier of flexible packaging and folding cartons to the drugs industry. The deal is subject to the usual due

Aker up 45% despite sales dip

Aker, the Norwegian oil, cement and technology group, yesterday reported a 45 per cent jump in pre-tax profits from NKr751m to NKr1.09bn (\$171m) for 1995, despite a fall in sales from NKr16.6bn to NKr15.3bn.

The group, which agreed to merge its cament and building materials business with Euroc of Sweden last year, said the improvement reflected a strong rise in profits at its Norwegian Contractors unit after the completion of two projects in the Norwegian North Sea. The dividend is increased from NKr3.5 to NKr4.5 a share.

Christopher Brown-Rumes

Bridgestone Metalpha deal

Bridgestone Metalpha, controlled by Bridgestone of Japan, has acquired a Sardinian manufacturer of steel cords for tyres in an attempt to penetrate the European market. It is to invest L100bn to double the current turnover of L50bn at Gencord, in Cagliari, which it has bought from Italian authorities attempting to safeguard production at Gencord and its insolvent parent company Ferdofin, a steel maker. Europe has 30 per cent of the steel cord market and Bridgestone Metalpha, the world's third biggest manufacturer in the sector, expects strong growth in eastern Europe. It is also building a plant in

CORRECTION

Bridgestone

Bridgestone's consolidated net profits in 1995 were Y54.1bn, not Y68.2bn as reported in yesterday's Financial Times.

NB

NORDBANKEN

Shareholders in Nordbanken AB (publ) are herewith summoned to Annual General Meeting on Thursday, March 28, 1996 at 4.00 p.m. in Victoriahallen, Stockholm International Fairs, Alvajo.

Notification

be registered in the share register maintained by the Swedish Securities

submit notification of intent to participate to Nordbanken AB (publ), Group

Legal Department, S-105 71 Stockholm, telephone +46 8 670 20 80, telefax

+46 8 614 87 70, not later than 1.00 p.m. on Monday, March 25, 1996.

Shareholders whose shares are held in trust must temporarily reregister their shares

in their own name to be entitled to participate in the Meeting. Such registration must be completed at VPC by Monday, March 18, 1996. This means that shareholders must

Agenda and decision proposals

Where appropriate, the main decision proposal is provided for each agenda item.

Complete information on existing decision proposals can be received from the

5. Submission of the Company's Annual Report and Consolidated Accounts

6. Submission of the Report of the Auditors for the Parent Company's accounts

7. Adoption of the Parent Company's Income Statement and the Consolidated

8. Adoption of the Parent Company's Balance sheet and the Consolidated

10. Approval to discharge the Board of Directors from liability for the year

The Auditors recommend discharge from liability

11. Determination of number of Board Members and Deputy Board Members

Decision proposal: Three (3) Auditors and three (3) Deputy Auditors

Decision proposal: Re-election of Caj Nackstad and Per-Olof Akteus (KPMG

Bohlins) and Ulf Järlebro (Deloitte & Touche), with Carl Lindgren and Anders

Ivdal (KPMG Bohlins) and Svante Forsberg (Deloitte & Touche) as Deputies.

Dividend and record date

Tuesday, April 2, 1996 be the record date for the dividend, if the Annual General

Meeting approves the proposal, it is expected that the dividend will be distributed

Board of Directors

Stockholm, February 1996

Board of Directors

In conjunction with the Annual General Meeting, the Bank will present information

Shareholders are welcome to participate from 2.00 p.m.

regarding a number of its products and areas of operations, including the Nordbanken Direkt telephone bank, the LIVIA life insurance company and fund

Shareholders representing approximately 75 percent of the shares in the Bank have announced that at the Meeting they intend to propose the re-election

of Jacob Palmstierna, Rune Brandinger, Hans Dalborg, Dan Andersson,

Patric Fredell, Leif Gustafsson, Christina Liffner, Bernt Magnusson and

Margot Wikstrom and the election of Inga-Lisa Johansson, CEO Daloc. Lars G Nordström, EVP Nordbanken, is proposed as Deputy Member.

The Board of Directors proposes a dividend per share of SEK 7.50 and that

Decision proposal: Ten (10) Members and one (1) Deputy Member

(reduction of the number of Members by two (2))

13. Determination of fees for Board Members and Auditors

14. Election of Board Members and Deputy

15. Election of Auditors and Deputy Auditors

Decision proposal: See below

by VPC on Thursday, April 11, 1996.

12. Determination of number of Auditors and Deputy Auditors

9. Approval of the disposition of unappropriated earnings in accordance with

Register Center (VPC) not later than Monday, March 18, 1996.

inform trustees in this respect in adequate time prior to this date.

Decision proposal: Board Chairman Jacob Palmstierna

4. Determination whether the Meeting has been properly convened

In conjunction therewith: Address by the President and CEO

2. Preparation and reconciliation of the voting register

Group Legal Department as above.

and Consolidated accounts

the approved Balance Sheet

Decision proposal: See below

Balance Sheet

(unchanged)

1. Election of Chairman for the Meeting

Election of two Minutes Checkers

By Kertn Hope in Athens

owned Greek conglomerate, is about to complete the much-delayed sale of 50 per cent of an oil refinery and chain of petrol stations in Greece to Aramco, the Saudi Arabian state oil company.

The Vardinoyannis group, a family-

Aramco, making its first investment in Europe, is expected to pay \$350m for a 50 per cent stake in both MotorOil, Greece's largest private refinery, and AvinOil, a nationwide petrol chain. Aramco is also expected to invest \$50m in upgrading the refinery and carrying out an environmental clean-up at its installations on the Gulf of Corinth. The deal was agreed last April, but

was frozen because of a bitter dispute in the Vardinoyannis family over ownership of the refinery.

Two younger family members started legal proceedings against their uncle, Mr Vardis Vardinoyannis, chairman of MotorOil, claiming they were each entitled to a 25 per cent equity stake in the two Panamanian companies which control MotorOiL

A company official said yesterday that Ms Ioanna Vardinoyannis and her brother Pyrrhos had agreed to settle out of court in return for a cash payment estimated at about \$120m.

The MotorOil refinery, with capacity of 4.5m tonnes yearly, supplies 600 pet-rol stations in the AvinOil chain and

by Caroline Southey

UCB, the Belgian chemicals,

packaging and pharmaceuti-

cals company, said sharply

improved results in its pharmaceuticals sector helped

boost pre-tax profits by 35 per cent to more than BFr4bn

(\$133m) last year, compared

Net profits after exceptionals

rose from BFr2.5bn to BFr3bn.

Total sales saw only a slight rise from BFr49.8bn to

BFr50bn, partly because of

However, turnover in the

pharmaceuticals division rose from BFr16.3bn to BFr18bn

mainly as a result of the con-

solidation of UCB's new US

Ruropean sales also bene-fited from a rise in the sales of

company's anti-allergy drug

Zyrtec, which rose from BFr6.8bn in 1994 to BFr8bn last

year.
Mr George Jacobs, UCB's

chief executive officer, pre-dicted the sales of the drug

outside the US would rise to

He said he was also encour-

aged by the drug's perfor-

BFr9bn next year.

subsidiary.

divestments during the year.

with BFr2.9bn in 1994.

in Brussels

net income in 1994, to Dr1.6bn (\$6.7m), against Dr6bn the previous year, on turnover down 6 per cent to Dr179bn.

exports oil products through a separate

fleet owned by Vardinoyannis.

The refinery is supplied by a tanker

According to the latest figures avail-

able, MotorOil reported a sharp drop in

AvinOil said pre-tax profits doubled in 1995 to Dr500m, although turnover remained flat at Drivin The Vardinoyannis group approached Aramco after an earlier attempt to sell a stake in MotorOil to Libya's state oil company fell through because of

political pressure from the Greek and US governments. For Aramco, which

UCB lifts earnings despite

flat sales and restructuring

mance in the US, adding that PVC) business to an Italian he was now "more optimistic group for BFr3bn. months ago". The US Food and that profits from the sale were Drug Administration approved offset by the cost of restructur-

the drug for registration in December 1995. Zyrtec has achieved strong growth rates since it was launched in 1968, reaching a market share of 40 per cent in

the countries where it is regis-Mr Jacobs said the company was making profits in all three

divisions, adding that this was the "third consecutive year that we [have] improved our results". The three sectors each contribute about a third to turnover, of which nearly 80 per cent is realised in Europe. The pharmaceutical sector

accounted for 60 per cent of the group's pre-tax profits in 1994. in the chemical sector, where sales exceeded BFr17bn, the company confirmed its commitment to move away from bulk chemicals and into developing speciality products, UCB said that a downturn in Europe for this sector was offset by a

phthalates (plasticisers for

largest European transparent flexible packaging producer. Ms Martine Glineur, an analyst at Brussels brokerage Mignon Hanart Declerck, said that "all the good news has been priced in the share".

loss-making units.

ing the packaging sector, where UCB sold or closed four

Sales in the packaging sector fell from BFr15.2bn to BFr15bn

but Mr Jacobs said that "by

the end of the year results had

sharply increased". UCB is the

But she added: "From BFr44,000 the stock has room for a rebound. transactions 1995/96

"good level of sales" in the US and Asia. Early last year UCB sold its

Randstad beats sector average with 45% rise

By Ronald van de Krol

Randstad of the Netherlands, one of the world's biggest employment services groups, said net profits rose 45 per cent to a record F! 163.3m (\$100.4) in 1995, on sales up 25 per cent at F! 4.7bn. Its dividend is to be raised from Fl 1.04 to Fl 1.52, an increase of 46 per cent. The company forecast that profits and sales would con-

The market for "temps", company is based - Benelux. Germany, Prance, Switzerland, Spain, the UK and south-east-

tinue to grow faster than the market average. The US and ket share rose in most countries in 1995. European markets for temporary employment services were rity and training. expected to see average growth

of about 10 per cent a year for the next few years, it added. In 1996, turnover was expected to outstrip the market average, while profit growth would keep pace with the sales increase. expanded by an average 24 per cent in the countries where the

Randstad is also active in services such as cleaning, secu-

ern US states. Randstad's mar-

Novo Nordisk in court win

A US federal appeals court has lifted a preliminary injunction against Novo Nordisk, the Dan-ish pharmaceuticals and indusish pharmaceuticals and indus-trial enzymes group, marketing its human growth hormone. Norditropin, in the US, writes Hilary Barnes in Copenhagen. This is the latest develop-ment in a long-standing battle between Novo Nordisk and

that the Danish group infringed a series of its

Novo Nordisk said it was confident the underlying dis-trict court litigation would connot infringed the patents, and that Genentech's patents would be declared invalid.

Capital market

CHF 10 per registered share.

Swiss Re

The Ordinary General Meeting of Shareholders of the Swiss Reinsurance Company, Zurich, (abbreviated to Swiss Re) held on 24 November 1995 decided to reduce the share capital from CHF 300,866.020 to CHF 150,433,010 by reducing the nominal value of the 15,043,301 registered shares from CHF 20 at present to CHF 10. On 1 March 1996, following expiry of the legally stipulated deadline, the full amount of the share capital reduction will be refunded to Swiss Re shareholders as a cash payment of

Announcement to holders of Convertible Bonds and Bull Spread Warrants of SwissRe Finance (Bermuda) Ltd.

Due to the reduction of capital from CHF 20 at present to CHF 10 of the nominal value of Swiss Re registered shares, the conversion and/or the option rights will be adjusted on

USD 500 million 2% Guaranteed Convertible Bonds due in the year 2000 (unconditionally and irrevocably guaranteed by Swiss Reinsurance Company)

In accordance with the "Terms and Conditions of the Bonds", the conversion price shall be adjusted to CHF 1,176.25 (previously CHF 1,189.175) per registered share. Accordingly USD 5,000 nominal value may be converted into 4.90 (4.85) registered shares (exchange rate: CHF 1.1535 = USD 1).

Bull Spread Warrants 1995-26. 06. 1998 (unconditionally and irrevocably guaranteed by Swiss Reinsurance Company)

addition to the relevant sum for the shares.

In accordance with the "Terms and Conditions of the Warrants", the *Floor Reference Strikes will be adjusted to CHF 957.50 (previously CHF 968) whereas the *Ceiling Reference Strikes will remain at CHF 1,081.— Should registered shares be delivered upon exercise of warrants, a cash payment of CHF 10.50 per registered share will be effected in

For additional information please refer to the "Terms and Conditions of the Bonds" and Terms and Conditions of the Warrancs" as outlined in the corresponding leaflets.

1 March 1996

Credit Suisse

By order.

Swins Re registrated share mountail value CHF 10 1.34 558 2% Guaranteed Conventible Bonds 1995–2000 382 532 Bull Spread Waranter 1995–1998 383 343
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INTERNATIONAL COMPANIES AND FINANCE

and Europe remains robust

Even the US market is

expected to pick up next

year as digital sales increase

on the back of new services.

We are confident our business

remains fundamentally

strong," says Mr Jorma Ollila

But the company is suggest-

ing its growth will be slower.

This year, for example, it fore-

cast a 30 to 45 per cent rise in

revenues for infrastructure and

a 30 to 40 per cent rise for

mobile phones, whereas both units achieved 50 per cept

analyst with Morgan Stanley in London, says: "We have to

accept that this company can't

keep growing at 50 per cent a

Ms Angela Dean, technology

Nokia chief executive.

increases last year.

vear forever.

Ms Dean notes.

its market position.

withdrawing from TVs. Not

only will this avoid another hefty loss from TVs in 1996,

but management will no longer

be distracted by trying to turn

the operation around. Once the

withdrawal is complete, some 85-90 per cent of Nokia's reve-

nues will derive from its tele-

coms activities. Two years ago,

this figure was 60 per cent.

Twelve years ago, it was just

14 per cent.

Nokia says goodbye to the golden days

Pricing pressures have hurt the Finnish telecons group, writes Christopher Brown-Humes

wo profits warnings in three months and a 50 per cent collapse in its share price since September suggest the golden days are over at Nokia, after a speciacular three-year run as one of the world's leading high technology stocks.

PAY MARCHING

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The latest warning, on Wednesday, confirms that at the very least the Finnish group has run into a sticky patch. The question is whether it can regain momentum later

The group's difficulties reflect much weaker trends in its mobile telephone division and a disastrous involvement in television set production - a business it now intends to quit. In cellular telephone infrastructure, the company is faring better.

The mobile telephone side has been hit by production bottlenecks and sharp price falls, particularly for the analogue variety. This is because Nokia is doing everything it can to hold up volumes, not just by keeping pace with fast-growing demand, but by building on its current market share. Analysis estimate the company has increased its share of the global handsets market to between 28 per cent and 24 per cent, second only to Motorola

of the US. Pricing pressures are particularly acute in the US, where analogue phones remain domi-nant. US prices dropped by up to 40 per cent last year, with particularly steep falls towards the and of the year. Even in Asia and Europe, where higher-mergin digital phones predominate, prices fell by between 15 and 25 per cent

The problems are not peculiar to Nokia, as the sharp drop



Jorma Ollila: 'We are confident our business remainsfundamentally strong'

in Motorola's fourth-quarter 1995 figures indicate. The US group warned of slower sales, falling prices, and a squeeze on margins - exactly the same trends as Nokia is experienc-

Logistical problems have added to Nokia's difficulties. Not only has it had to absorb thousands of new staff, it has suffered from component supply problems and overestimated demand in some mar-

Both the logistical difficulties and the price pressures apply more to mobile phones than to infrastructure. This explains the sharp divergence

between Nokia's teccommunications (infrastruture) business and its mobilephone unit last year. Operating margins in telecommunication rose 2.3 percentage points a 26.3 per cent of sales, whie margins within mobile phons fell from 16.3 per cent to 109 per cent. Analysts says margns in both businesses will b squeezed

Nokia has prediced "significantly lower" proits in the first half, and athough it expects an upturn ater in the year, it remains certicus. The good news is that the logistical wrinkles should save been froned out by mid-ear, while

strong infrastructure orders will feed through into sales in the second half. The bad news is that the strong Finnish markka will hold the company back, while pricing pressures, although probably not as intense as last year, will per-

Demand for mobile phones remains strong. Forecasts that the number of cellular phone users will soar to 350m by the end of 2000, up from 80m last year, have not been questioned, since they were made early last year when optimism about the industry was at its

Nokia says growth in Asia

COMPANY PROFILE:

Market capitalisation

Historic P/E

Gross yield

Earnings per share

Current share price

Amstirdam AEX Index

Share price relative to the

Fokker attracts attention of China

By Ronald van de Krol in Ameturdam and Tony Walker in Belling

The administrators of Fokker, the near-bankrupt Dutch aircraft maker, have attracted the attention of China.

The Dutch economics ministry declined to comment on reports that the interested party was Aviation Industries of China (Avic), which is responsible for overseeing the manufacture of civilian aircraft in China. However, it said: "The administrators have reported there is interest from China," but declined to give further details.

Just how much growth slows will depend on how quickly Neither the ministry nor Fokker would be drawn on a report in De Telegraaf, a telecoms groups such as Alcatel of France, Siemens of Dutch daily newspaper, that Germany, and Northern Tele-Avic would be sending a delecom of Canada can step up gation to Amsterdam in the their competitive challenge. next few days. Avic denied These companies will be plans to send representatives to the Netherlands. looking to gain market share

through aggressive pricing." Earlier this week, Samsung of South Korea became the sole credible candidate for Nokia has signalled its response. Costs will be acquiring Fokker's assets and squeezed and a range of new phones introduced to maintain businesses, after Canada's Bombardier withdrew from talks with the Dutch government and the company's It will also focus even more on telecommunications by

The Chinese and Koreans have been planning to build a 100-seat jet with help from a western partner. They have argued, however, over where the jet should be assembled, leading some in the industry to conclude that the two will go their separate ways.

Interest from the Chinese, however, would be more surprising as they are still actively seeking western partners for their 100-seat project.

Fokker sought protection from creditors in January after its controlling shareholder, Germany's Daimler-Benz Aerospace (Dasa), cut off further financial support.

Mr Hans Wijers, the Dutch economic affairs minister who announced Bombardier's withdrawal on Tuesday, said European competitors had responded more out of curiosity than serious interest.

Avic and Samsung have both been deeply involved in negotiations with foreign companies for the manufacture of a 100-seat regional airliner. However, China and South Korea have also been vying to become the site of final assem-

bly for the proposed aircraft.

Such a project would involve

a significant leap forward for Avic, which would have a stake in an enterprise geared to foreign sales. Among Western manufacturers bidding for a share of the project are a European consortium including British Aerospace, Aéros-patiale of France, and Alenia of Italy. If Avic proves to be interested in Fokker, this would probably be linked to its ambitions for the 100-seater

EUROPEAN NEWS DIGEST

Revamp helps BNL to L77bn recovery

Banca Nazionale del Lavoro, the Italian treasury-controlled bank, raised net profits by 70 per cent to L77bn (\$49.8m) in 1995, reflecting drastic restructuring in 1994. BNL had undergone five difficult years, blamed largely on improper loans to Iraq.

The board, under Mr Mario Sarcinelli, chairman, expressed 'considerable satisfaction" at the results, which will be presented at the bank's annual meeting on April 19. They confirm the trend of firmer profits reported by other Italian banks over the past two weeks, after difficulty in the financial markets in 1994. BNL will restore a dividend on ordinary shares, which are not quoted, equivalent to 2 per cent of nominal share value, and increase the dividend on savines shares from 8 per cent to 10 per cent.

Total customer deposits rose 4.3 per cent to L122,605bn while loans were 3.3 per cent bigher at L129,672bn. Loans at risk accounted for 2.4 per cent of the total, against 2.6 per cent

Hypo-Bank in US fund link-up

Bayerische Hypotheken- und Wechsel-Bank has begun a co-operation deal with Massachusetts Financial services, a US mutual fund company owned by Sun Life of Canada. The move is the latest example of a German bank developing asset management activities. MFS has some \$35bn under management and already co-operates closely with Foreign and Colonial Management, the UK fund manager in which

Hypo-Bank owns 50 per cent, The US move, which does not involve a financial stake, is still at an early stage, the German bank said. The co-operation will initially cover distribution and marketing, but both sides intend to sell each other's fund products.

Hypo-Bank said in November that prices being paid for asset management companies were exaggerated. Bayerische Vereinsbank was also then in talks to buy Oppenheimer Group, the US investment bank and fund manager, but these fell through. Dresdner Bank recently bought San Francisco-based RCM Capital Management for \$300m.

Andrew Fisher, Frankfurt

Jyske posts 10-year best

Jyske Bank, the Jutland-based bank which ranks fourth in Denmark by assets, reported an increase in profits before extraordinary items and tax from DKr171m to DKr961m (\$171.1m). Pre-tax profits surged to DKr753m from DKr105m. The bank said it was the best result for 10 years. The board proposed an increase in the dividend from DKr7.2 to DKr8.00 a

In common with other Danish banks last year, the main factor in Jyske's turnround was a gain of DKr490m in the value of the securities portfolio, compared with a loss of DKr402m in 1994. Loss provisions were reduced by DKr9m to DKr382m. The bank said it would budget with an operating profit, excluding valuation gains or losses on the securities portfolio, of between DKr600-750m in 1996 compared with DKr688m in 1985.

For the first time in four years, the bank increased advances, by 12 per cent to DKr29.4bn, while the balance sheet total increased from DKr48bn to DKr51bn. The year-end capital adequacy ratio was 18 per cent and the core capital

Strong market lifts Norske Skog

Norske Skog, Norway's biggest forestry group, yesterday posted net profits sharply up from NKr206m to NKr1.7bn (\$268.1m). The improvement was only partly because of higher sales, which rose from NKr9.1bn to NKr12.5bn. Operating profits improved from NKr732m to NKr2.5bn. The dividend

was raised from NKr1.50 to NKr6. Norske Skog said the increase in profits reflected strong demand for paper and pulp, strong prices, high production and efficient operations. It said market conditions for newsprint should be comparatively favourable in 1996, while for magazine paper the outlook was somewhat weaker. Continued pressure on prices and reduced capacity utilisation was expected for pulp, it said. No significant changes were expected in its markets for building materials, it said.

Norske Skog's paper unit reported 1995 operating profit of NKr1.7bn compared with NKr454m a year earlier, with sales of NKr8bn up from NKr5.8bn. It said prices of newsprint rose by between 15 per cent and 25 per cent for deliveries in the first half of 1995, and by between 18 per cent and 20 per cent for the second half. Production of paper rose 8 per cent to more than 1.9m tons, it said. Sales of its fiber unit rose to NKr2.17bn from NKr1.5bn, and operating profit rose to NKr682m from AFX News, Oslo

DSM expects to improve on record 1995 earnings

By Ronald van de Krol

DSM, the Dutch chemicals group, yesterday held out the prospect of "good" results in 1996 but implied they would be less spectacular than the doubled profits achieved during an "excellent" 1995.

ward last year by surging prices for its products, posted net profits before extraordinary items of Fl 1.07hm (\$655m) compared with Fl 527m in 1994. This is a record, exceeding the Fl 1.03bn set in 1989, the peak of the previous busi-

ness cycle.

"This gives us confidence that, even with fisrce thiernational competition; we will have a good year, in 1996." Mr. Simon de Bree, management board chairman, said.

Turnover last year rose 9.4 per cent to F19.8hn, pushed higher by a 14.6 per cent

in 1995, it generaled net profits

of CHF 2.7 million (up 56%) on

sales of CHF \$4 million (up 102%)

increase in average selling prices and an 0.9 per cent expansion of sales by volume. The price and volume-driven rise in turnover was offset slightly by the effect of divestments . and unfavourable exchange rate movements.

The annual dividend is to be in 1994 and Fi 1.50 in 1993, taking the pay-out back to the level which prevailed from 1989 to 1991.

The doubling of 1995 results, which DSM had provisionally reported in late January, came despite a decline in fourthquarter profits from Fl 287m in 1994 to Fl 144m. The lower fourth-quarter figure was caused mainly by price declines for hydrocarbon products such as polyethylene and polypropylene. Prices for base chemicals and other products were generally stable.

Mr de Bree said that

were difficult to predct, under lying demand appeared solid. That is why we an positive about development in this markei."

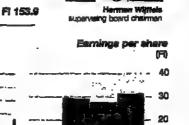
Mr Look Ligthart finance director, noted that shout twothirds of DSM's operating profin the first half of the year. "This reflects the shap change in the [industry] climate in the course of the year," le said. For the first quarter of 1996

DSM predicted resuts would be "clearly higher" then in the final quarter of 198, though much lower than the exceptionally good first-quater profits of last year. The company also said it

would boost 1996 inverments, excluding any acquistions, to about Fl lbn, compared with Fl 790m last year and Fi 450m in 1994. Selective investmens would

he made to maintain the company's strong position in base chemicals. But in future DSM would also be increasingly

emphasising less cyclical sec-



tors such as fine chemicals. engineering plastics and elastomers, reducing the company's exposure to the swings of the

business cycle.

FI 29.8

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MICRONAS

Voyager Securities Limited U.S. \$100,000,000 Secured Floating Rate Notes due 1992-1996 or the Interest Period 29th ebruary, 1996 to 31st May, 196 the Notes will carry n Interest Rate of 6,5125%

Banque Indosuez U.S. \$200,000,000 Floating Rate Notes due 1997 or the three months 29th

ebruary, 1996 to 31st May, 1996 he Notes will carry an interest rate of 5.625% per annum and coupon nounc of U.S. \$143.75 per U.S. \$10,000 Note, and U.S. \$3,593.75 er U.S. \$250,000 Note.

BRADFORD &BINGLEY

Agent: Morgan Guaranty Trust Company **JPMorgan**

project.

ser annum with Interest Amounts of U.S. \$208.04 and J.S. \$520.10 for Notes with iginal principal amount U.S. \$100,000 and U.S. 250,000 respectively payab n 31st May, 1995. Bankers Trust

\$15,000,000 Series 17 Floating rate notes due May 2000 Notice is hereby given that the notes will bear interest at 6.2525% per annum from 28 February 1996 to 31 May 1996. Interest payable on 31 May 1996 will amount to \$1,588.75 per \$100,000

/// CHEMICAL

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NOK 700,000,000

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Chemical Bank

Den norske Bank

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Den norske Bank



Den norske Bank

By Richard Tomkins in New York

Retailers are having a rotten nowhere has this been more apparent than in their financial results for the fourth quarter to January.

At first sight, the figures look good. Top line growth seems to be the order of the day, with most big companies putting on enviable increases in quarterly revenues. The tills, one might suppose, were ringing madly over Christmas and the new year.

Madly, perhaps. But the trouble is, they were not ringing very profitably. In fact, customers proved so reluctant to shop that retailers slashed prices to keep goods moving. The result: higher sales, but serious damage to gross mar-gins - and for many companies, lower profits, too.

There are several reasons for the weak demand. Some analysts point to sociological facunlike the 1980s, which

LSI Logic, a leading US semi-

conductor manufacturer, has

warned that delayed orders

from personal computer manu-

facturers would result in a

drop in revenues and lower

than expected income for the

The warning is the latest

sign of slowing growth in the personal computer market. PC

manufacturers ordered excess

quantities of chips in the

fourth quarter of 1995 in antici-

pation of very strong sales over

the Christmas period, analysts

said, but sales did not live up

"The shortfall in revenues

can be traced primarily to

push-outs of personal comput-

er-related orders originally

intended for delivery in the

to their expectations.

first quarter.

were characterised by consum-erism and greed, the 1990s have become characterised by conservatism, thruft and value for money. And corporate downsizing has made people worry more about their finan-

has become burdened by overcapacity because of the rapid expansion of new, superstore formats such as discount stores and so-called "category killers" specialising in certain types of goods. Between 1965 and 1990, square footage rose from 4 sq ft a head to 18 sq ft a head - an increase of 450 per cent

In the latest quarter, even the mighty Wal-Mart Stores, now the world's biggest retailer, showed signs of strain. Last month it warned that lower-than-expected sales would produce its first profits downturn in 25 years as a public company: and sure enough, the company this week reported a 9 per cent fall in

fourth net income to \$942m.

first quarter," Mr Wilfred Cor-

rigan, chairman and chief exec-

utive of LSI Logic, said. The company said that reve-

nues would be about 10 per

cent below anticipated levels of

about \$350m in the first quar-

in the range of 32 cents to 35

cents a share. Wall Street ana-

lysts had been anticipating

LSI Logic's shares dropped

sharply on the news to trade at

\$27% in mid-session yesterday, down \$3%. Shares of other

semiconductor manufacturers.

PC manufacturers and suppli-

ers of semiconductor produc-

tion equipment were also hit.

personal computer segment.

order push-outs or cancella-

tions in our other market seg-

we are not seeing signs of

"Aside from weakness in the

earnings of about 46 cents.

Earnings are expected to be

ter, which ends on March 31.

cial security.

Meanwhile, the retail sector

sions alike.

LSI Logic warns of drop in revenues

US RETAILERS - FOURTH-QUARTER RESULTS Revent 1985 (Sm) 1994 27.6 Wal-Mart Stores 942 1.030 Seam Reebuck J.C. Penney Home Depat May Dept. Str The Limited

with the downturn spread across its discount store and membership warehouse divi-

J.C. Penney, the department store group, had an even worse fourth quarter. Like other retailers, the company tried to drive up sales by cutting prices, but the attempt only resulted in reducing margins, and net profits slumped by 24 per cent to \$326m.

The Limited, which has been badly hit by poor sales and heavy price-cutting in women's clothing, reported a 16 per cent fall in net profits to \$216m. But this figure was flattered by a

ments," Mr Corrigan said.

He acknowledged, however,

that the company had expected

the PC industry to have

worked through excess chip

inventories by now, and LSI's

profit warning raised concerns

that the problem is more

severe than had previously

semiconductor production

capacity might become a prob-lem if orders from the PC

industry continued to slow

that of Micron Technology, another US chip maker, which

said earlier this week that its

fourth-quarter earnings would

Mr Michael Brown, chief

financial officer of Microsoft,

said he expected the US soft-

ware group to spend \$1.5bn on

cent, while operating margins

not meet analysts' estimates.

LSI's announcement follows

Some analysts said excess

been thought.

gain on the sale of a 17 per cent stake in its Intimate Brands subsidiary, which includes the more profitable Bath & Body Works and Victoria's Secret stores, among others. Without the gain, net profits would have slumped even further, to \$180m.

May Department Stores did slightly better, nudging fourth quarter profits ahead by 6 per cent to \$396m. But like several other retailers, it benefited from a comparison between a 14-week quarter this time and a 13-week period a year earlier.

the fiscal year ending June

in the current

1997, compared with about

fiscal year, Reuter reports

from Seattle. Microsoft spent about \$860m on R&D in fiscal

Mr Brown said the increase

in R&D spending was needed in part to take advantage of

new opportunities in the

emerging Internet markets.

• Microsoft and American

Express unit American Express Travel Related Ser-

vices have signed a licensing

agreement for software allow-

ing secure payments on the Internet, AFX reports from

New York. Online transactions

with any American Express

charge or credit card will use

Microsoft's version of the

secure electronic transactions

in net income to 87m pesos for the year as a whole, a 75 per

Analysts played down recent

statements by Mexico's presi-

dent Mr Ernesto Zedillo that

the country's administration

would fight to reduce or

eliminate anti-dumping duties

directly from their Mexican

"In an election year, you are

not going to have US Congress-

men acting to reduce duties on

Mexican concrete," said Mr

cent decline on 1994.

operations.

\$1bn

But even here, most of growth was attributable to the Further, its figures converapid expansion of a successful

new retailing format: sales at stores that he been open more than a year ise by only 1 per

Perhaps th biggest sparkler has been Sers Roebuck, the has been Sars Roedda. the biggest US epartment store group, which reported a 28 per cent led in underlying net profits. The increase resulted from a revamp of the stores instigted by Mr Arthur Martinez, wo became chair-man and clef executive last August after he spin-off of the group's Aliste Insurance sub-

Another mable exception to the general trend has been Gap, the cloning store group. which reported a surprising 30 per cent include in net profits

to \$155m. Much of he growth came through ne store openings, but the company also seems to have the knck of stocking the clothes that cople want to buy - proof thatit is still possible for good retilers to do well in the US, evn in the current

NEWS DIGEST

Nova and Union Carbide in alliance

Nova, the Calgary based pipeline and chemicals group; is to join forces with Union Carbide of the US to build a USSOOM ethylene plant at Joffre, Alberta. The plant will add 25 lbs of capacity a year to Nova's petrochemical complex at Joffre bringing total capacity to 5.4bn lbs and making Joffre ibs world's biggest ethylene manufacturing site. The project due for completion in 2000, will supply markets mainly in North America and Asia.

America and Asia.

Ethylene, made from the ethane component of natural gas is used in the production of polyethylene – the most widely used plastic for consumer goods and packaging. Nova is also considering building a new polyethylene plant at John Mi-Ted Newall, Nova's chief executive, said economies of scale ethane infrastructure, and competitive feedstock costs would make the new the ethylene plant one of the lowest cost Bernard Simon: Boronte facilities in the world.

Toronto-Dominion Bank rises

Improved interest-rate margins, securities gains and lower loan losses helped Canada's Toronto-Dominion Bank to 34 per cent rise in first-quarter earnings. Net earnings gree to C\$222m (US\$161m), or 70 cents a share, in the three months to January 31, from C\$179m, or 56 cents, a year earlier. Return on equity climbed to 15.2 per cent from 13.2 per cent The bank estimates 1996 loan losses at C\$170m, down from

C\$180m last year. One-quarter of the provision, or C\$13m was charged against first-quarter earnings. Non-performing loss stood at C\$212m on Jan 31, less than half the level a year earlier, and the lowest proportion to total loans in 10 years: Net interest margins widened by 21 basis points to 2.7 per cent, due mainly to lower funding costs. The average margin was 4 basis points higher than the previous three months. Assets grew by 4 per cent to C\$1070n, due entirely to higher cash and securities holdings.

Bernard Sh

Canadian Airlines in the red

Canadian Airlines International posted a final 1995 loss of C\$194.7m (US\$141m), or C\$4.67 a share, after restructuring charges and one-time costs related to route expansion. In 1994 the airline, minority owned by American Airlines, recorded a restated loss of C\$53.7m, or C\$1.30 a share.

The airline had warned in December it would show a heavy 1995 loss, but now says it has strengthened its cash position and competitiveness. However, it faces competition from two low-cost carriers starting up in western Canada.

Operating revenues were C\$3.1bn, up 5.9 per cent, with strong international traffic gains and a moderate improvement in North America. Operating expenses were stable and the airline's load factor averaged 65.3 per cent. "We expect significant improvement in 1996 and the restructuring is showing positive results." said Mr Kevin Jenkins, president.

Mayne Nickless down at midway

Net profits at Mayne Nickless, the Australian transport and medical group, fell 31.6 per cent to A\$50.1m (US\$38.2m) in the half-year to end-December. Mr Ian Webber, chairman, said the drop was largely due to higher interest payments, resulting from ceasing to capitalise the interest on an investment in Optus Communications, the private Australian telephone company, and increasing the investment in Optus during the

Optus made a A\$7.1m profit in the first half of 1995-96. against a loss of A\$26.4m. Overall sales in the Mayne Nickless group declined 0.2 per cent to A\$1.48bn, but earnings before interest and tax increased 1.3 per cent to A\$102.1m. Earnings per share slipped to 17.9 cents from 23.7 cents, and the interim dividend was cut 1 cent to 17 cents. Since July 1995 the group has made a series of divestments almed at concentrating the company on its core areas of logistics and healthcare.

In Australian healthcare operations, revenue increased 57 per cent to A\$227m, almost half of which was due to the purchase of Australian Medical Enterprises.

main 188"m h

Somon Resou

Renison improves in first half

Australia-based Renison Gold Fields, which hived its goldmining interests off into the listed Goldfields group last year but retains a 55.8 per cent interest in the company, vesterday announced an after-tax profit of A\$33.7m (US\$25.7m) for the half-year to end-December. This compared with A\$20.8m in the same period of 1994-95. Operating revenues rose from A\$312.1m to A\$477.7m, and basic earnings per share

increased from 10.4 cents to 16.6 cents. Much of the upturn was due to a stronger performance by Renison's mineral sands interest, which contributed A\$39.8m in pre-tax operating profits, compared with just A\$14.8m last

Renison also said it would develop the Old Hickory mineral sands resource in Virginia, in the US. The cost will be A\$53m. and production should be available for sale by October 1997.

Canadian oil group advances

Canadian Occidental Petroleum lifted 1995 net profits to \$141m (US\$107.5m), or \$2.10 a share, up from \$96m, or \$1.44. in 1994, after benefiting from strong gains in oil output, dramatic growth in chemicals and strict cost controls.

Revenues were ahead from C\$1bn to C\$1.2bn. Net oil output averaged 134.000 b/d, up from 119,000 b/d, with most of the gain coming from the Masila field in the Yemen. Capital spending will reach C\$500m in 1996, up from C\$474m in 1994, aimed at increasing Yemen production and boosting reserves in North America, the North Sea, Vietnam, Indonesia

Trilon ahead to C\$88m for year

Trilon, the financial services arm of Toronto's Hees-Edper group, posted 1995 net profits of C\$88m (US\$64m), or 36 cents a share, up 52 per cent from \$58m, or 25 cents in, 1994. Revenues advanced to \$5.67bn, a 13 per cent rise. London Insurance, the biggest unit, performed well and the commercial lending and property subsidiaries recorded improvements. Robert Gibbens

AT&T to scrap **Network Notes**

By Louise Kehoe

AT&T plans to scrap Network Notes, a service that links users of Lotus Notes software over AT&T's telephone network, and is shifting its focus to the internet.

niently excluded the poorly-

performing Payless ShoeSource

division, due to be spun off in

May. With this division included, net profits sank from

Still, not all the news has

been bad. A notable exception

to the downward trend is

Home Depot, now the biggest US retailer of home improve-

ment and do-it-yourself sup-

plies. Sales improved 22 per

cent in the fourth quarter and

net profits rose even faster, by

27 per cent to \$185m.

The decision is a blow for IBM, which last year acquired Lotus Development, the software company that developed Notes, for \$3.52bn. IBM's share price dropped \$3% following the AT&T announcement, to trade at \$1241/4.

The wisdom of IBM's acquisition of Lotus, which was hailed as a bold move by Mr Lon Gerstner, iBM chairman, to propel IBM into "network-centric" computing, now looks less certain, analysts said.

The AT&T service, launched last August, was designed to enable companies to use Lotus Notes to form "electronic communities" which take in their customers, suppliers and employees who could then exchange electronic mail and work collaboratively over AT&T's telephone net-

The rising popularity of the internet, which can be used to provide similar functions, had overtaken Notes, AT&T said. AT&T Network Notes was designed as a proprietary network and the market has shifted to the Internet," said Ms Kathleen Earley, vice-president of AT&T EasyCommerce Services. AT&T would phase Roberto Carrillo, an analyst at | out the service by mid-year, she said, and focus its invest-



Lou Gerster. IBM chiof bad \$3.5bn Lous buy as bold move

ments on Internet-based electronic commerce. The more comes as IBM and Lotus are struggling to adapt

Notes to be Internet. "AT&T decision is consistent with Lotus's strategy to integrate Notes and the Inter-net," sail Mr Larry Moore, Lotus senor vice-president.

Howeve, it is not yet clear what roll proprietary work group software such as Lotus Notes might play on the Internet, where software based on industry wide standards

prevails. AT&T'sdecision raises questions about the future of other Notes-based services, including IBM's Nites service on its Global Nitwork. Several other companie plan to offer similar Notes sevices, but analysts said ATaT's decision could

affect sun plans.

Unibanco tops forecast

By Angus Foster in São Paulo

Unibanco, one of Brazil's largest private sector banks following its takeover last year of troubled rival Banco Nacional, has announced higher than expected net profits, helped by a lower tax

Charge. Unibanco reported net profits of R\$154.6m (US\$157.2m) in the year to December 31, against R\$147.4m in 1994.

Analysts cautioned that comparing the periods was difficult because of the Nacional takeover and because Brazil switched currencies in 1994. leading to a sharp fall in infla-

Unibanco took control of Vacional in mid-November, so the takeover had little effect on the expanded bank's operating results. Operating profits fell sharply from R\$341.1m to R\$238.2m, mainly because of a big increase in provisions for doubtful loans and staff costs. Provisions more than qua-

drupled to R\$651.3 as Brazil's economy slowed and the cen-tral bank tightened credit. Unibanco said the assets acquired with Nacional had been accounted for under Unibanco's doubtful credit policies, which are conservative.

The Nacional deal has come under scruting this week after allegations that Nacional's balance sheets was misrepresented for many years. The central bank admitted it was investigating a possible fraud. The controversy which has

further undermined the credibility of the bank's reported results, may not damage Uni-banco since it only took control of Nacional's choicest assets, leaving most of the bad debts with the central govern-

Despite a sharp fall in operating profits from R\$341m to R\$238m, Unibanco increased net profits thanks to a charge for tax and social contributions of only R\$47.6m, against R\$167.9m in 1994.

Lloyds Bank to close NY operations

By George Graham,

Lioyds Fank is to close its New York trasury operations and shift the remaining foreign exchang business to London. The bank, which has steadily pared back its international operations, will halt foreign exchange trading in New York immediately. In all, 50 US saff will be let go from the treatury operation. Lloyd said the bank was

not a sgnificant force in the US mariet and no longer had any region to operate physically in New York. Customer foreign achange requirements will be covered by Lloyds' night triding desk in London. Lloyd shut its Tokyo treasury operations last year as it found ; could do the same busines from its Bank of New

ICI Limited

Zealand subsidiary.



H.J.Joel Gold Mining Company Limited

Nigeria and Kazakhstan.

(Registration number 85 '01995'06) ("H.J.Joef" or "the Company")

PROPOSED RIGHTS OFFER - NOTICE OF LAST DAY TO REGISTER

On 19fanuary 1996 H J.Joel announced that it is to raise approximately R400 million by way of a renoun rights fifer of new ordinary shares of one cent each ("the offer"). The Company will use the proceeds to away in the funding of the capital expenditure associated with the Company's mine plan and to repay existing debt obligations. At a general meeting held on 20 February 1996 the ordinary shareholders of H.J.Joel approved the increase of the Complay's share capital by the creation of additional ordinary shares and granted the directors of the Company the to allot and issue the Company's unissued ordinary shares.

The lat day for ordinary shareholders to register to participate in the offer will be Friday, 15 March 1996. The tunsfer register and register of members will be closed from Saturday, 16 March to Saturday, 23 March, both days

Detail of the terms of the proposed offer will be announced on Monday, 11 March 1996

On behalf of the Board W A Jaim

J F Buwnrigg

1 March 1996

also declined. However, sales per cent of sales, while producfor the fourth quarter were 14 per cent higher than during

By Daniel Dombey in Mexico City

Cemex, Mexico's biggest cement company and the fourth-largest in the world. recorded strong increases in profits and sales last year.

Net income more than doubled to 5.9bn pesos (\$781m), helped by the fact that as Mexico's currency fell, the peso value of overseas operations rose. Cash flow increased by 14

per cent to 6.3bn pesos. The group lifted net revenues to 19.8bn pesos for 1995, a 23 per cent increase on 1994. largely due to the company's

1996 (the "Record Date").

international operations. Mexico accounted for only 37 operating margins.

The company registered an 8 per cent increase in total liabil-

\$1bn this year. slumped by 7 per cent in 1995. hitting the construction indus-

tion in Spain, Venezuela, and the US benefited from rising

itles to 35.6bn pesos, 25 per cent of which is short-term debt, and 85 per cent is denominated in dollars. However, it expects operating cash flow of

try hard.

The Mexican economy

Weaker peso helps Cemex profits double

the third - proof, the company said, that the market had bottomed out in the first half of the year.

Apasco, Mexico's secondlargest producer, in which the - that constrain companies Swiss company Holderbank from exporting to the US has a majority stake, saw sales directly from their Mexican decline by 28 per cent for the year to 3.6bn pesos, though fourth-quarter sales increased by 18 per cent compared with the third quarter, and market

share improved. Apasco recorded a sharp fall

Cemex's sales fell 27 per ARROW VENTURES N.V.

On behalf of the Board of Supervisory Directors of Arrow Ventures N.V. (the "Company"), we are pleased to provide you with notice of an offer by the Company to repurchase up to 256,880 of the Company's 1,858,359 outstanding shares of one U.S. cent par value each (the "Offer"). The Offer is open to all holders of shares of the Company registered in the Register of Shareholders of the Company at 12 noon on February 20.

NOTICE OF REPURCHASE OF SHARES

The redemption of shares by the Company will follow an aggregate distribution of \$ 7.0 million by Arrow Partners C.V. to its partners, including \$ 5.6 million to Arrow Ventures N.V. Strengthened market conditions, specifically in the biotechnology sector, have facilitated the realization of additional liquidity from the partnership's quoted portfolio in recent weeks. The Investment Advisor has determined the amount of the distribution to be prudent given the partnership's current liquidity, and intends to make future distributions with available funds.

Pursuant to the Offer, the Company offers to repurchase a maximum of 256.880 shares at a price of U.S.\$ 21.80 per share (the "Purchase Price") payable in cash. The Purchase Price represents the unaudited net asset value per share of the Company as at January 31, 1996.

If you desire to accept this Offer, you should lodge with Caribbean Management Company N.V. ("Caribbean") at 14 John B. Gorsiraweg, P.O. Box 3889, Willemstad, Curação. Netherlands Antilles, share certificates representing your shares of the Company and you should indicate the number of shares tendered by you for repurchase by the Company. Said share certificates must be received by Caribbean on or before 12 noon (local time) on March 20, 1996. If more than 256,880 shares are validly tendered by the shareholders. Arrow Ventures N.V. shall repurchase 256,880 on a pro rata basis according to the aggregate number of shares validly tendered by each shareholder. If fewer than 256,880 shares are validly tendered by the shareholders. Arrow Ventures N.V.

The repurchase price payable by the Company in respect of such repurchased shares will be paid by check drawn on the Company and made payable to you or your order posted at your risk together with a receipt and the balance of your share certificates to your address recorded in the Register of Shareholders not later than March 27, 1996.

Since Arrow Ventures N.V. is currently in its wind down state, it is the opinion of the Investment Advisor that all shareholders should participate in redemptions as they occur.

as they are the means by which realization of profit and repayment of capital are achieved.

You should ascertain from your professional advisors the consequences to you of accepting this Offer under the relevant laws of jurisdiction to which you are subject, including the tax consequences and exchange control requirements, if any.

February 28, 1996

shall repurchase all shares tendered.

CARIBBEAN MANAGEMENT COMPANY N.V. Managing Director of Arrow Ventures N.V.

RSVP Westminster Limited h hansed bobility in the Caymon (skinds) U.S. \$154,000,000

Notice of Early Redemption to Holders of

Series N

teed Extendible Variable Rate Notes due 2005/2006 NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dated 31st October, 1990, Series N of the U.S. 5154,000,000 Gumanreed Extendible Variable Rate Notes due 2005/2006 of RSVF Westmanster Limited (the "Bonds") will be redeemed in full by RSVF Westmanster Limited on the Interest Payment Date falling on 29th March, 1996 at their Principal Autount outstanding on that date together with Interest accrued to the Date of Redemption.

Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE Bankers Trust Luxembourg S.A. P.O. Box 807 Boulevard F.D. Roosevelt L-2450 Luxemboure

t shall cease to accrue on the Bonds from 29th March, 1996

Principal Paying Ages

Write-off holds

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MISITE

Sandy Mackay-Smith Vice-President, Secretary and

General Counsel

INTERNATIONAL COMPANIES AND FINANCE

Suffering set to drag on for Japan's financial system

Hongkong and Shanghai Hotels ahead

Hongkong and Shanghai Hotels, the hotels and property company controlled by the Kadoorie family, yesterday reported a 27 per cent rise in net profits for calendar 1995, from HK\$512m (US\$66m) in 1994 to HK\$652m, comfortably meeting market expectations.

Operating profits were up 51 per cent, from HK\$636m to HK\$962m last year.

system has heightened

this week as the liquidation of

a medium-sized Japanese money lender flushed out the bad loan problems facing the

The non-bank problem has

come under scrutiny after

Wednesday's announcement

that Equion, a Tokyo-based money protection with debts of

The move triggered fears

that the country's bad debt

problem would continue

beyond the resolution of the

problems of the jusen, or hous-ing loan companies, which face

imminent liquidation under a

The extent of the non-bank

Acacia in A\$87m bid

the

for Solomon Resources

Y310.6bn (\$2.97bn).

By Nikki Talt in Sydney

Acacia Resources,

Australian goldminer floated

off by Shall Australia in 1994,

yesterday made an all-share

offer for Solomon Pacific

The 1-for-6 share swap bid

values the smaller goldminer at about A\$87m (US\$66.4m).

Acacia also said it had

acquired an option over an 18.9

per cant interest in Solomon.

which is currently held by Cli-

max Mining, another small

Solomon dismissed the offer

as unsolicited and "highly

listed mining company.

country's non-bank lenders.

rise, after the renovation of the company's flagship luxury Peninsula hotel in Hong Kong. The hotel's new tower extension was completed last year, and work which had restricted

Mr Michael Kadoorie, chairman, said the revamp of The Peninsula, together with that

larger than that of the jusen, which are saddled with bad loans of at least Y6,400bn and

According to a survey by the

ministry of finance, loans

extended by 278 leading non-bank lenders totalled

Y55,800bn as of March 1995. Of

these 42 per cent were

extended to other non-banks,

36.5 per cent to real estate com-

panies and 3.7 per cent to con-

This indicates that the non-

bank lenders had more than

Y22,000bn in property-related

It is likely that the bulk of

these loans have turned bad,

considering that Equion col-

opportunistic" and urged

shareholders to take no action,

Acacia, formed in late-1994

when Shell moved its gold

assets into the new company

and floated 100 per cent of Acacia shares on the stock market,

indicated it was particularly

interested in Solomon's Brocks Creak project in the Northern

Territory. This lies just 50km

from Acacia's existing Union

The bid came as Acacia

announced an after-tax profit

of A\$22.1m in the year to end-

December, up from A\$20.3m

Reefs open-pit goldmine.

last time.

This advertisement is issued in compliance with the requirements of London Stock Exchange Limited ("the London Stock Exchange"). Applications have been made to the London Stock Exchange for the New Stock to be itsued pursuant to the Piacing and Open Offer and any New

Shares Issued pursuant to the Cash Exit Facility to be admitted to the

THE FIRST SPANISH

INVESTMENT TRUST PLC

(Registered in England No. 2133976)

Placing and Open Offer

sponsored by

SBC Warburg

of up to 18,000,000 units of 3.5 per cent.

(gross) convertible subordinated unsecured

loan stock 2007 in units of 90p

Appointment of new investment manager Change of investment policy

Acquisition of new portfolio of securities

Change of name to Australian Opportunities Investment Trust PLC

Cash Exit Facility

A prospectus relating to The Pirst Spanish Investment Trust PLC (the "Company") dated 29 February 1996 (the "Prospectus") has been published which contains full details of the Company, the Proposals and the New Subordinated Steek. The Prospectus is available from SBC Warburg, I Finsbury Avenue, London EC2M 2PP on weekdays during normal office hours until 14 March 1996.

MIWON CO., LTD.

NOTICE

to the holders of the

U.S. \$30,000,000

à per cent. Convertible

Bonds Due 2005

Misson Co., Ltd. (the "Bonds" and the "Company" respectively)

NOTICE IS HEREBY GIVEN

hat the Board of Directors of

the Company has passed a resolution on 15th December,

1995 authorizing the issue of 183,645 shares of its commo

spock to holders of its common

stock and preferred stock by way

of dividend. The record date for

uch issue was 31st December,

1995. The share dividend will submitted for approval to the General Meeting of Share-holders of the Company on

huther notice will be given to

the holders of the Bonds of any

sulting adjustment to the

28th February, 1996.

rporqued in the Republic of Korea with limited liability)

Words and expressions defined in the Prospectus have the same

This advertisement does not constitute an offer or invitation

DIVIDEND NOTICE

PLACER DOME INC.

Notice is hereby given that

a regular quarterly

dividend, being Dividend No. 35 of seven and one-

half cents (71/4) U.S. per

Common Share, has been

declared payable on March 25, 1996 to

shareholders of record at the close of business on

Shareholders with ad-

dresses in Canada will be paid the equivalent

amount in Canadian

currency, converted at

an exchange rate in ef-

fect as at the record

BY ORDER OF THE

BOARD

March 8, 1996.

pending further advice.

struction commanies

are virtually bankrupt.

group's strategy of enhancing

The second leg of that strategy, controlled expansion, was exemplified by hotel and property joint-ventures in Vietnam and Indonesia.

The company made a provision of HK\$80m against its Thai investments, which include The Peninsula Bangkok, due to open toward the

related lending. It was hit by the sharp decline in real estate

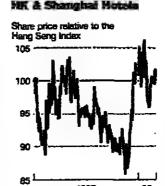
values at the start of this

attached to the latter has been delayed because of the economic downturn.

Mr Gordon Crosbie-Walsh. analyst with Schroders Securities Asia, said the hotels' operating profit increased 84 per cent to HK\$505m, largely as a result of the larger contribution from the Hong Kong Peninsula's 229 rooms and nine

this year, and was looking for an attributable profit of HK\$850m, exempting any provisions which may be made

against the Thai operations. Rarnings per share rose 27 per cent, from 47 cents in 1994 to 60 cents last year. Directors are recommending a final dividend of 22 cents a share, giving a full year distribution of 30 cents compared with 1994's 24



in Jerusalem

Teva Pharmaceuticals, Israel's biggest pharmaceutical products manufacturer, yesterday reported an 11 per cent increase in net income last year, from \$71.6m in 1994 to \$79.8m. Earnings per share rose from \$1.32 per American Depositary Receipt to \$1.46.

Teva, which derives most of its income from manufacturing generic drugs, is awaiting US Food and Drug Administration approval of its first innovative drug, Copaxone, a treatment for multiple sclerosis. Approval, which may come as soon as next month, could mean a big boost to the company's income.

Teva, the most heavily traded Israeli company on Wall Street, said the annual results included a one-time write-off of a \$4m debt to Israel's General Health Fund.

Full-year net income before the write-off totalled \$83.8m, an increase of 17 per cent.

because of banks' exposure to Fourth-quarter net income. the non-bank sector, "It will very painful and a long and at \$23.8m before the write-off. was 25 per cent higher than the year-ago figure: after the write-off, net income of \$19.8m

represented a 5 per cent increase. Fourth-quarter earnings per ADR increased 2 cents to 36 cents.

Revenues in the quarter rose from \$160.6m in 1994 to \$192.9m in 1995 - a 20 per cent advance - and annual revenues were up 14 per cent from \$587.7m to 3667.7m.

ICI SpA, an Italian bulk pharmaceutical manufacturer, and Biogal Pharmaceutical Works, of Hungary, both pur-chased by Teva during the uted \$11m to the Israeli compamy's revenues for the three months.

Teva - which is traded both on the Nasdaq exchange in New York and on the Tel Aviv Stock Exchange - last year received 12 approvals for new generic drugs, as well as filing final documentation with the FDA for Copaxone, in December. Teva announced agreement with Hoechst Marion Roussel, the US-based drugs arm of Germany's Hoechst, to distribute Copaxone in Europe and other markets.

Teva shares slipped 0.5 per cent in Tel Aviv yesterday. Shk1,338.26 Shk1.331.57.

By Louise Lucas in Hong Kong The hotels business was the main driving force behind the The Kowloon Hotel, also in end of 1997, and a golf club. A Hong Kong, marked the residential complex to be

occupancy in 1994 came to an

of The Peninsula Manila and

existing products.

nxiety over the stability of Japan's financial Equion bankruptcy suggests the jusen could take non-banks with them non-banks," says Mr Brian

> decade, and 90 per cent of its loans were had Hence, although the ministry of finance last week announced that bad debts held by banks related to non-bank lenders totalled Y7.000bn, most analysts estimate the banks' exposure to the non-bank sector between Y80,000bn and Y100,000bn and expect a far larger figure for the bad loan figure to the sector. "People are starting to real-

ise that the jusen problem was non-banks. the tip of the iceberg. The main concern is whether the ministry of finance knows the extent of the problems at the

Waterhouse, finance analyst at James Capel in Tokyo.

he irony may be that the problems at the nonbanks are likely to be partly induced by the government's controversial jusen liquidation scheme, expected to be approved in parliamentary committee next week and involving the injection of Y685bn in public money. This because companies that borrowed from the jusen have also borrowed heavily from the

The "worst case scenario" circulating among the financial community is that the jusen

The larger banks have spate of bankruptcies of their already started to write off their debts to non-banks. Aside borrowers, who have relied on the jusen for funds. This in from Y3,700bn in jusen losses.

tors, including the non-bank financial institutions. analysts believe such views are unduly alarmist, they agree that the effect of the non-banks' exposure on the banks' profits will be severe and will also drag on. "It will be a long and winding road. says Mr James Fiorillo at ING Barings in Tokyo.

turn will hit the other credi-

The ministry of finance declared during parliamentary committee session this month that, unlike in the case of the jusen, public funds will not be used for the

Emiko Terazono

the country's top 21 banks are expected to write off Y4,700bn

in losses to non-bank financial

If bankruptcies of the

non-bank lenders continue, the

country's banks may be unable

to realise the profit recovery

which had been expected to

hannen in two to three years.

Mr Waterhouse at James Capel

does not expect a recovery for

at least another five years

drawn-out process," he says.

Aon Group is the new name for Rollins Hudig Hall Group

Aon Corporation announces that its insurance brokerage and consulting business, one of the world's leading and fastest growing, is changing its name from Rollins Hudig Hall Group to Aon Group.

By branding this business with the Aon name, we are emphasizing that Aon Group's network of companies works interdependently to address the risk management needs of its clients.

Aon is now the only name you need to know for innovative insurance solutions anywhere in the world.

Aon Corporation

123 North Wacker Drive · Chicago, Illinois 60606 USA

NYSE symbol: AOC

funds

ek platin

case fans takeover speculation

£20m provision limits Willis **Corroon rise**

By Ralph Atkins,

Willis Corroon, the insurance broker, fanned takeover speculation yesterday by acknowledging there might be a case for consolidation in the sector, as it unveiled 1995 results spoilt by a £20m provision for

past underwriting activities.

Pre-tax profits on continuing operations before exceptionals reached £79m (\$122m), against £57.4m last time. But Willis took provision of £16.6m in 1995 for costs associated with surplus properties on long

The underwriting provision was for administering claims from Sovereign, a London Insurance market operation which Willis closed in 1991. The group said that "running off" the business was taking nally expected and the £20m provision would cover expenses for a further 20 years,

up until 2025. Operating expenses fell 2 per cent as Willis implemented, on target, a restructuring programme launched in 1994 for which a £49.1m exceptional was taken last time. Annual costs have been cut by £38.5m and headcount by 1.142 to 10.290. But Mr John Reeve, Willis' new executive chairman.

was underway to assess cli-ents' needs and where value could be added by brokers. He said the outlook "remains diffi-cult" amid increased competition, changing demands from industrial clients and fierce

premium rate cutting. Last week Mr Sax Riley. chief executive of rival broker Sedgwick, said there were six main international brokers but "the cake can really accommodate three or four".

In reply, Mr Reeve said: "We are watching the situation closely. We're not ruling anything in or anything out." But, he added, any decisions taken by Willis - which is not thought to have received or made any approaches - would be based on whether there were useful potential economies of scale.

"Big-ness for the sake of being big is not a criteria for us," he said. The 1995 results showed

operating revenues stable at £714m as higher investment income and new business offset the effects of competition. Earnings per share were 7p (nil) and the group announced an unchanged first quarter dividend of 1.65p.

Forecast pre-tax profits for this year are £90m for a prospective multiple of about 11.

Acknowledgement of consolidation | Green shadow on the forecourts

Deborah Hargreaves on Mobil and BP's European joint venture

obil petroi pump attendants around Europe will be donning green uniforms in the next few months as the service stations are transferred into a partnership created by the US oil giant and British Petro-

All European service sta-tions will be transformed into the distinctive green BP livery as the UK oil company assumes responsibility for running them. Mobil will be in charge of the lubricants busi-

The partnership, which will include 8.900 service stations in 43 countries across Europe, will also display its logo beneath signs for BP fuels and Mobil lubricants.

"The customer will see a uniform offer; all sites in the joint venture will have the same green presentation," said Mr Rolf Stomberg, head of BP Oil. It is likely to cost up to \$200m (£129.5m) and take up to two years to transform the Mobil

The partnership creates the second largest oil marketing company in Europe with 12 per cent of the market – just behind Royal Dutch/Shell's 12.3 per cent and ahead of Exxon's 10.1 per cent. In many countries, the partnership will be

the dominant player. Combined assets will give BP and Mobil between 16 and 17 per cent of the UK market -rivalling the 17 per cent share of Exxon, the biggest player. This will strengthen their hand in the recent UK price war, which many in the City believe triggered the partnership's for-

In France, which Mr Stom-



John Browne (left) and Lou Note: aiming to expand into central and eastern Europe

berg describes as the most competitive fuels market in Europe, the joint venture will have 8-9 per cent of the market - just behind the two large French companies. Similarly, in Germany and Spain, market shares will be around 9 to 10

per cent - excluding Mobil's interest in the Aral joint ven-

Mr John Browne, BP chief executive, said the companies would build on their position to expand into central and stern Europe and to make the most of many of their prime real estate sites. Both companies expect to make sig-nificant cost savings and could beat the target of annual savings of \$400m to \$500m in

three years. Mr Browne said the savings would be in three areas: 60 per cent from eliminating duplica-

tion in the businesses, 25 per cent by synergies between the marketing and distribution operations and 15 per cent from economies of scale, such as procurement.

Both communies have made

large strides to try and trim capacity and improve profit-ability in their European refin-ing operations in recent months. Mobil said it had stripped out \$200m in costs last year by closing its Worth refinery in Germany and rationalising two smaller refineries in the UK and France. BP closed part of its refinery in the Netherlands and said another was for sale last month.

The companies said their partnership could not go ahead without these cuts, which would all proceed as planned. But the European refinery

capacity - Mobil has estimated that closures address only half of the current 800,000 to 900,000 barreis a day surplus and analysts describe European refi-

nery margins as "abysmal." Mr John Toalster, oil industry analyst at Societé Générale Strauss Turnbull, was sceptical yesterday about the partner-ship's ability to deliver significant cost savings. "It looks like a number of years before there is any financial benefit at all and then it only looks like savings on head office staff."

The companies were sensitive to criticism that partnerships had foundered in the past: "We have decided not to nit pick or let egos get in the way of this working. We don't want to be reduced to playing silly games between partners. Mr Lou Noto, chairman and

DIGEST

Motor components shake-out seen

Mr George Simpson, chief executive of Lucas Industries Mr George Simpson, chief executive of Lucas Industries, yesterday predicted a shake-out in the motor components industry as car manufacturers moved increasingly to single source suppliers. Speaking at the Society of Automotive Engineers conference in Detroit, he said the sector was facing a period of enforced rationalisation.

"There will be a major consolidation as companies seek interestical supports or moreover. We might have an interestical supports or moreover.

strategic alignments or mergers. We might have no more than 15 to 20 global tier one suppliers by 2010."

He was commenting after news emerged in France that Cerus, the French holding company of Italian industrialist Mr Carlo De Benedetti, was seeking a buyer for its 28 per cent stake in Valeo, the Paris-based components group. Tim Burt

Hanson unit raises \$780m

Surburban Propane Partners, the Hanson subsidiary, has raised \$780m in an initial public offering of 64 per cent of the business and a placement of senior notes. Suburban issued 18.9m shares at \$20.50 each, and \$425m of senior notes. The proceeds will be used to cut debt.

The business, one of the disposals identified by Hanson in

its demerger programme, has about 6 per cent of the US retail

propane gas market.
The public offer closes on March 5. The senior notes, which have a 7.54 per cent fixed coupon and a 15-year final maturity, have been placed privately by Smith Barney, Lehman Brothers and Paine Webber.

Motoko Rich.

Guinness in Chinese move

Guinness confirmed yesterday that it was talking with China's largest distiller about a whisky-making joint venture in the country. Macdonald Martin, best known for its Glenmarangie malt whisky, is one of the few already involved but its focus initially is on helping its Chinese partner improve the quality of its local products.

In China, Yibin Wuliangye Distillery said it was close to concluding a deal with Guinness on a Ynl.3bn (\$154m) joint venture. Whisky would be made from local grains with the help of Guinness expertise and finance. Roderick Oran

TransAtlantic seeks buys

A £110m gain on the disposal of its 50 per cent stake in Sun Life helped TransAtlantic, the financial services and property group, more than double pre-tax profits from £90.1m to 203.7m in 1995.

Underlying profits improved by 9 per cent from £86m to

The group recently acquired a 70 per cent holding in Portfolio Fund Management, a unit trust group, and is about to launch a Jersey-based asset management and life insurance business. It also has £548m cash and intends to acquire a life

"We are keeping very close to perhaps six companies or mutuals in the UK and a similar number in the US," said Mr Gordon. "The prices being asked are a bit exotic at present but

US boost for Quarto

Quarto Group said that buoyant US sales and strong improvements in European performance helped offset the depressed UK market and raise pre-tax profit for 1996 from £6.28m to £7.01m.

Quarto is buying Walter Foster Publishing for \$5m. The California publisher of popularly-priced art instruction manuals recorded sales of \$5.43m last year. It is expected to be

Thistle Hotels float plans denied Thistle Hotels, the former Mount Charlotte Investments, saw

pre-tax profits jump 50 per cent to £34.8m in 1985. There has been widespread speculation that the group, which is 70 per cent owned by Brierley investments, would be floated this year. But Mr Robert Peel, chief executive, said yesterday that he had no knowledge of any plans to come to the market.

Newman Tonks in US buy

By Simon Kuper

Newman Tonks Group, Europe's largest architectural hardware company, is to buy Republic Industries, a private US doormaker, for \$45.5m. The price is more than double Republic's net asset value.

Republic makes automatic doors and door hardware under the Dor-O-Matic tradename. Its adjusted pre-tax profits for 1994 were \$5.1m on sales of \$43.7m. Net cash was about \$3m in December 1995.

The acquisition, the group's largest in recent years, will be financed by debt and will take Newman Tonks' gearing to 80 finance director, said the group planned to reduce this to "below 50 per cent" by selling profitable but non-core interests. But he said he expected no disposals for "at least

SmithKline to cut out duplication

SmithKline Beecham, the Anglo-US pharmaceuticals company, is to shut or sell more than 10 per cent of its manufacturing sites and shed 400 jobs in a restructuring trig-

gered by acquisitions in 1994. Eight sites in six countries are affected. A further two plants will grow in size. The losses, out of a total workforce of 50,000, are expected to be implemented by 1998. The closures follow others in

Singapore and Puerto Rico. Most have come about because the \$2.9bp acquisition of Sterling Health, from Eastman ufacturing facilities in many countries," said SmithKline.

The majority of closures had now been finalised and made public, it said. Four plants will be sold or

France, Gronau in Germany, and Rome, Italy. Another plant, in Zaragoza, Spain, has

already been sold. Three further plants will be reduced in size: Crawley, south of London, Heppignies in Bel-gium and Baranzate in Milan. A plant in Dungarvan, County Waterford in Ireland, acquired with Sterling, will be expanded as will another plant in Worthing, Sussex.

The net effect will be to reduce the number of manufacturing sites from 73, before the Singapore and Puerto Rico closures, to about 60. SmithKline said that the aim

of the changes was "to improve manufacturing was duplicated, rather than to reduce the numbers employed.

The pharmaceuticals industry is in a period of deep restructuring as customers bear down on healthcare costs.

T&N extends options over stake in Kolbenschmidt

By Tim Burt

T&N, the motor components and specialist engineering group, yesterday realfirmed its interest in acquiring Kol-benschmidt by extending options over a 49.99 per cent stake in the German pistons

manufacturer. Although the German cartel office has rejected the pro-posed takeover, T&N decided to extend its options - first acquired in September 1994 while it explores other ways of extending its presence in the

European pistons market. The UK company is pursuing secure either control or strategic interest in Kolbenschmidt: It is appealing against the cartel office ruling; discussing a possible joint venture with the German group; and considering an approach to takeover authorities at the European

Commission Sir Colin Hope, chairman, said he was hopeful that the cartel office would reconsider its earlier decision following

making a £12m (\$18.5m) provision against its 1995 profits to cover the initial investment in the share options, which had

the options had increased with Kolbenschmidt shares trading at DM200.7 yesterday, against a strike price on the 49.99 per

£126.5m next Wednesday, against a pre-exceptional total

Lasmo returns to black with £34m

Higher oil prices and lower costs have helped a revitalised Lasmo, the UK's largest inde-pendent oil explorer, back into the black for the first time strace 1990.

Pre-tax profits in 1995 were £34m, against a £3m loss a year earlier after charges. However, revenues were slightly lower at £637m (£648m) following the sale of mature higher-cost assets, which offset a rise in the average oil price to \$17.09

(£11) per barrel (\$15.96). Mr Joe Darby, chief executive, said: "We're delivering on our promises and doing the right things to add shareholder

Lasmo, which fought off a bid from Enterprise Oil in 1994, to be the subject of a takeover bid, despite recent speculation. Particularly encouraging was the rise in the reserve potential of Algerian interests to 1.5bn barrels. Lasmo has

of the field's gross commercial reserves of 815m barrels. The company's drive to become a low-cost producer by selling older oil fields and introducing more rigorous cost controls continued to pay off. Unit operating costs fell from £3.41 to £3.17 per harrel, and the company said it was on target to cut costs to £3 per

barrel in 1997.

booked 82m barrels as its share

RESULTS

only slightly earnings enhancing this year.

six months". closed: Dijon and Pessac in



NET INCOME FROM RECURRING OPERATIONS UP 24.7% FF 2,690 million COMPARED TO FF 2,157 million

CARREFOUR GROUP SHARE OF 1995

In FF million	1995	1994	1995/1994 % change
Sales, net of taxes Net income from recurring operations	144,612	136,299	+6.1
- Group Share	2,690	2,157	+ 24.7
Non-recurring income - Group Share	846	(33)	/ _ /
Net income - Group Share	3.530	2,124	
Net Income from recurring operations per share (in FF)	104,91	84,12	+ 24.7

- Sales net of taxes rose by 6.1% in 1995. On a constant exchange rate basis, sales rose by 8%.

 The Group Share at net income from recurring operations i.e., excluding non-recurring items-, the measurement consdered most representative of our performance, rose by 24.7% Non-recurring Income - Group Share of FF 846 million was

mainly due to capital gain on the sale of Office Depot shares. and to various exceptional provisions. Cash flow from operations reached FF 6,009 million and repre-sented 4.57% of sales in 1995 (4,47% in 1994). The Group's gross debt to equity ratio declined from 29.6% in 1994 to 24.3% in 1995.

The Ordinary General Sharoholder's Meeting will be held an April 18, 1995, it will be asked to approve a dividend per share of FF 32, net of "Avoir fecal" fax credit of FF 16, payable April 25, 1996. It is dividend is to proceed with a free issue of shares, at a ratio of one new share for two orising shares, starting May 2, 1996. The new shares will be eligible for dividend as of January 1, 1996.

SOCIETE CONCESSIONNAIRE FRANÇAISE POUR LA CONSTRUCTION ET L'EXPLOITATION DU TUNNEL ROUTIER SOUS LE MONT-BLANC

FRF 450.000.000 FLOATING RATE NOTES 1987-1997 In accordance with the provision of the Notes, notice is hereby given that the

rate of the period from February 29, 1996 to May 31, 1996 has been fixed at On May 31, 1996 interest of FRF 118.19 per FRF 10,000 nominal amount of the Notes, and interest of FRF 1,181,94 per FRF 100,000 nominal amount of

the Notes will be due against coupon no 35.

Notices to holders, including notices relating to the quarterly determination of interest rates, will be published only in "L'Agence Economique et

inanciere" (Paris) and in "The Financial Times" (London). BANQUE INTERNATIONALE BLU

Britannia

\$25,000,000

For the period 28 February 1996 to 31 May 1996 the notes will bear interest at 6.2875% per annum. riterest payable on the relevant interest payment date 31 May 1996 will amount to \$1,597.64

JPMorgan

(UK) No.2 plc £285,000,000

Sankers Trust Principal Paying lst March, 1996

WOOLWICH - Building Society -\$40,000,000 Series 47

iotice is hereby given that the totes will bear interest at 6.2475% per annum from 28 February 1996 to 31 May 1996. Interest payable on 31 May 1996 will amount to \$1,587.48 per \$100,000 note.

JPMorgan

Floating rate notes due May 2000

38pn 000.0012, tag

Agent: Morgan Guaranty Trust Company

Notice of Partial Redemption Cardiff Automobile eivables Securitiset

£23,110,000 following Notes will be exced on 8th March, 1990: Class A Notes: J.805 Notes (Value £38,350,000) Memmaric Notes: 309 Notes (Value £3,090,000)

Floating rate notes due May 2000

Agent: Morgan Guaranty Trust Company

fresh submissions by T&N. Str Colin said T&N would be previously been included on the balance sheet. Even so, he said the value of

cent holding of DM180. Most analysts expect T&N to announce pre-tax profits of of £110.7m last time or £10.7m

Date of payment Total last 9% M m3.62 \ 6 miles to Dec 31 0.2 10 Yr to Dac 31 ± ___ Yr to Dac 31 (208♥) (14.7♥) (4.15L) (2.07) (-) (43.6♥) (0.589L) (0.599L) (4.48) (1.48) (3L4+) (28.5) (6.28) Apr 9 1.05 1.75 pil. (-) (22.6 (0.6L (6.9L 6 notine to Oct 31 (-) (934.2) (2.91) (1.88) (8.53) (4.16) (648) (178.2) (57.93) (1.72) (7.2) (2.4L) (10.8) (20.8) Yr to Dec 31 6 milhs to Dec 31 . Yr to Dec 31 237 204.8 68.47 . Yr to Dec 31 Yr to Aug 31 6 miles to Oct 31 0.422L 0.132 (0.24L) (0.101) (0.4) (12) (10.7L) (260.2) (27.1) (14.3) (136.2) (871.3) 15.2 6.85 0.881 201.7 50.2 (12.5) (0.0794) (0.950) (90.1♥) (5.54) 26.2 (-) (15.89) 182.6 51‡ 7 MAP (c) investment Trusts Firm Returni Res _______ 13 miles to Dec 31 111.3 0.54 0.6‡ 2.8 6 notice to Jan 31 (0.283) (4.37) (6.74) (0.79) 1.85 (1.67) 0.275 (0.365) 436.8 7.48 12 Templeton Latin .. __ Yr to Dec 31 0.52 (-) 0.36 Earnings shown basic. Dividends shown set. Figures in brackets are for corresponding period. & Comparatives restated. After exceptional charge. WAter exceptional charge. WAter exceptional charge. WAter exceptional charge. This interior capital. Therefore the comparatives for year to April 30. 40m reduced capital. After interior. Second interior, makes 3p to date. This interior. Record interior, regions 6.66p to date.

Notice of Redemption to Holders of

Series J

RSVP MAYFAIR LIMITED

U.S. \$79,000,000

Guaranteed Extendible

Variable Rate Notes due 2006 NOTICE IS HEREBY GIVEN that in accordance with Se 5.03(a) of the Indenture, dated 31st March, 1992, Series J of the U.S. \$79,000,000 Guaranteed Extendible Variable Rate Notes due 2006 of RSVP MAYFAIR LIMITED (the "Bonds") will be redeemed in full by RSVP MAYFAIR LIMITED on the Interest Payment Date talking on 22nd March, 1996 at the principal amount date together with the interest accrued to the date of redemption.

Principal Paying Agent Goldman Sacina (Cayman) Trust, Limited P.O. Box 896

Paying Agent Krediotbank S.A. 43 Boulevard Royal

interest will cease to accrue on the Bonds from 22nd March, 1996. Goldman Sachs (Cayman) Trust, Limited Principal Paying Agent

TOU MAN/CIT, 1996

This notice is issued in compliance with the requirements of London Stock Exchange Limited (the "London Stock Exchange"). It does not constitute an offer or invitation to any person to subscribe for or purchase any securities in Rossmont plc (the "Company"). Application has been made to the London Stock Exchange for the whole of the share capital of the Company issued and now being issued to be admitted to the Official List. It is expected that admission will become effective and that dealings in the existing ordinary shares will re-commence and in the new ordinary

ROSSMONT plc mated in England with Regimered No. 27982311

Proposed acquisition of Dunham-Bush Limited

SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE ACQUISITION

£2,000,000

Keith, Bayley, Rogers & Co. Ebbark House 93-95 Borough High Street London SE1 INL

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ordinary shares of 2.5p each

Copies of the listing particulars relating to the Company may be obtained during normal business hours on any

weekday (Saturdays and public holidays excepted) up to and including 5 March 1996 from the Company Amountements Office, the London Stock Exchange, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP (for collection only) and up to and including 15 March 1996 from: Unit 3 Hawksworth Industrial Estate

Wiltshire SN2 (DZ

Watson, Farley & Williams 15 Appoid Street London EC2A 2HB

Issued and fully paid

£1,032,216

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said the sector age at se as companies set 3010. and 13.4.20 20.4

governs group. In he \$780m

meon subsidiary, ha This was the reason platinum group metals had not fol-lowed gold when its price rose strongly this year, driven up stateorified by Harson in by fund speculation.

Launching Standard Bank's Platinum Yearbook in London, Mr Pitts suggested that platinum this year would trade in a range between US\$390 and \$440 a troy ounce, 2% per cent below the 1995 range of \$400 to

By Kenneth Gooding,

Mining Correspondent

bought platinum and palla-

dium last year, speculating on

price rises, suffered big losses

when prices dropped sharply.

As a result they are now wary

of these markets, Mr Trevor

Pitts, manager of marketing

platinum group metals at Stan-

dard Bank, suggested yester-

This year's trading range for

weak platinum market palladium was forecast at \$120 to \$160 an ounce. Platinum closed in London Investment funds which last night at \$412.25 an ounce

and palladium at \$138. Mr Pitts recalled that fund buying sent platinum to a peak of \$461.25 a troy ounce in April last year after Engelhard, the specialist materials group, announced a "potentially sensational" car catalyst which promised to remove ozone and pollutants already in the atmo-

In November Engelhard said that the catalyst would not use platinum group metals. At the same time, Mr Pitts said, "that old chestnut about sales from the US government's strategic stockpile returned to haunt the

As a result, by the last trading day of 1995 platinum was at \$398.25, its lowest level for

the year. Meanwhile speculative fund ket drove the price to its highest level this decade: \$178.25 an

estimated the ability of Russia, the biggest platinum producer, to meet increases in demand and its desire to prevent prices

tive froth sucked more producer metal into the market than was justified by demand and consequently the rest of the year saw prices under pressure from this oversupply, said Mr Pitts.

price was down to \$127.50 an ounce "We may have seen the

worst in the current cycle [in the palladium market | and 1996 should be a year of gradual recovery as further increases in demand soak up the surplus

Stockbrokers evolve to keep pace with mining companies

By Kenneth Gooding

Stockbroking companies which follow the mining industry are developing global ventures in order to keep up with changes in the sector, where a relatively few big mining groups, operating worldwide, are increasingly dominating the business.

Flemings, the investment bank, followed the trend this week by Isunching its "global mining group", a three-way initiative involving Ord Minnett, its 50-per-cent-owned Australian broking associate, Fleming Martin, a 50-50 joint venture between Flemings and

Fleming Martin was ranked cial Mail in South Africa,

COMMODITIES PRICES

while Ord Minnett was ranked first for total research in the RBCDS's strong North Ameri-Australian market by both the can presence by adding Institutional Investor and the Hambros's coverage of Austra-Rxtel and Greenwich surveys. Mr William Garrett, chair-

lia and South Africa. RBCDS, owned by one of man of Robert Fleming Securi-Canada's biggest banks, has ties, said the initiative would also extended its South Afriassist clients by providing can coverage by linking with them with "the chance to SMOK Securities, a South Afriassess the impact of global can firm that is sponsoring broker on the Johannesburg trends on investment opportunities in the mining sector". stock exchange for more than These sentiments were also 60 companies - some of which expressed by Mr Murray Wilare involved in mining.

son, the London-based vice-president of RBC Domin-RBCDS and SMR will swap research and work together ion Securities' corporate but no financial or shareholdfinance global mining operations, when his group ing links have been established between them. Mr Louis Geldenhuyes, SMK's managing recently absorbed almost all of Hambros Equities UK's mining director, said the two would be beem. Clients were looking for able to take advantage of increasing demand for cross-"a seamless global analysis of the mining industry", he said. border mergers and acquisi-The acquisition of the

408.3 408.1 409.7 409.8

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49.90

Sed Day's change High

180.75 +1.25 181.00 158.75 9,168 155.00 +1.75 155.00 153.25 3,057

8,289 36,733

410.1

interest in the palladium mar-

However speculators under-

rising too high. "We believe that the specula-

By December '29 palladium's

The industry is becoming increasingly uncompetitive. the companies say, threatening initial investments of about US\$500m in refinery expansion. The island's earnings from

Copper leads LME upturn

III OQCOA LCE (E/tonne)

COMMODITIES AND AGRICULTURE

Wary funds blamed for Strikes undermine Jamaican bauxite expansion

its main commodity export are also being affected. The loss of output from last year's strikes reduced earnings by an estimated \$50m. However stronger market prices helped the industry earn

and labour relations.

for the world's third-largest

producer of bauxite ore, after

Australia and Guinea, aims to

increase alumina output by

more than half in four years.

Mining and refining compa-

nies, however, say they are

labour relations, following a

series of mainly wage-related

strikes last year which shut

retinertes.

concerned about "uncertain"

\$710m last year, 15 per cent more than the previous year. Our great concern is industrial relations," says Mr Carl-ton Davis, chairman of the Jamaica Bauxite Institute, a state agency which monitors the industry. "The government is aiming at a social contract and other initiatives to deal

London Metal Exchange prices

staged a recovery yesterday

sparked by a sharp rise in cop-

per. Investment funds which

had sold copper short needed

Nickel, which earlier

touched a six-week low of

US\$7,700 a tonne, also rallied

as copper rose. Analysts are

split about the outlook for base

metals. "While a short-

covering rally is possible, we

remain negative about price

prospects because of weak

physical offtake, particularly

in Europe," Macquarie Equities

However Rudolf Wolff said

to cover their positions.

MARKET REPORT

Jamaica's ambitious plans for with this. Miners and refiners are waiting to expand, but they expanding its bauxite refining capacity are being threatened are not enthusiastic about by concerns about productivity doing so until they see clear evidence that last year was an The expansion programme aberration."

Senior officials of the mining and refining companies say they have no intention of closing their plants in Jamaica, but will invest "just what is needed" to keep the plants going until they feel able to commit themselves to the planned capacity expansion.

The strikes last year depressed ore production to 10.9m tonnes, 6.2 per cent less than a year earlier. Alumina production of 3m tonnes was 6.6 per cent lower.

Labour productivity and poor labour relations are regarded by miners and refiners as significant weaknesses in the Jamaican industry, according to Mr Gene Miller. general manager of Alumina Partners, the island's largest refiner, which is owned by Kai-ser Aluminum of the US and Hydro Aluminium of Norway.

"We do not have poor industrial relations, but we have poor wage negotiations," Mr Miller says. "Jamaica should be aware of the detrimental effects of labour disputes on the industry in 1995. Among the more than 60 alumina plants worldwide, Jamaica

that economic growth may be

and bond markets was seeking

amount moves into metals it

could quickly make up for the

prices then start moving

higher, consumers may also

Gold moved above \$400 a

troy ounce to close in London

at \$400.50 an ounce. Analysts

said there was considerable

Palladium recovered after

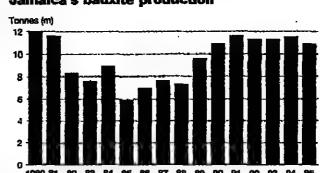
Wednesday's fall and closed

technical resistance at \$402.

\$1.70 up at \$138 an ounce.

start buying." Wolff added.

Jamaica's bauxite production



ranked the lowest in terms of tonnes per employee.'

Labour productivity also concerns the Bauxite Institute. Mr Davis agrees that the industry is becoming increasingly uncompetitive: "Jamaican bauxite mining and refining have lost a lot of ground in wage productivity.

"The average wage in Jamaica is the equivalent of US\$6.25 per hour. An Australian worker might get the equivalent of US\$20 per hour, but Jamaican plants produce 0.4 tonnes per man hour, while Australian and other plants are running at 1.6 tonnes per man hour,

Workers' organisations have rejected suggestions that they are to blame. Unions say that Jamaica's high inflation (22 per cent in 1993, 35 per cent in 1994 and an estimated 24 per cent last year) has forced them to make seemingly large wage claims for workers in the bauxite industry.

"We are also concerned at worker productivity levels, and we have significant increases in production and productivity in companies which accept unions' proposals for incentives for workers," says Mr Lambert Brown, vice-president of the University and Allied Workers Union. "Not all companies in the industry have been willing to accept the need for production incentives to

improve productivity.

Productivity worries are jeopardising investment in refineries, Canute James reports The Alumina Partners refinery, which produces 1.45m tonnes a year, plans to expand to 2m tonnes. Two plants owned by Alcan of Canada, with a combined capacity of 1.1m tonnes a year, are projected to add another 600,000 tonnes. Jamalco, jointly owned by the Jamaican government and the Aluminum Company of America, will increase production from 800,000 tonnes a year to 1.2m tonnes

Larger plants will provide the scale of operations required to increase labour productivity, says Mr Miller. The Alumina Partners' refi nery will employ the same number of workers after its capacity has been increased to 2m tonnes.

However Mr Miller adds that there is a lack of stimulus for investment: "Investors are waiting to see how stable the climate in Jamaica is going to be. If there are frequent strikes, they will not be willing to commit themselves. There must be some stability."

The test of the industry's stability will come in 10 weeks with the start of a new round of wage negotiations. "These negotiations will be less competitive than those of last year," says Mr Brown. "We are sensitive to the concerns of investors in the industry.

Tighter wheat stocks predicted

By Deborah Hargreaves

picking up in the US and money coming out of the stock World wheat stocks are likely to be even tighter than expeca new home. "If a small ted this year according to the latest report from the International Grains Council, which lack of consumer interest. If estimated that stocks would be 88m tonnes by mid year.

The council reduced its stock estimate by 2m tonnes from last month's figure because of increased consumption in China and Pakistan, Wheat stocks remain at their lowest level for 20 years.

But the council also increased its estimate for last year's output in Russia by 2m

63.926 -0.725 64.460 63.800 5,898 33,898

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MEAT AND LIVESTOCK

II LIVE CATTLE CME (40,000km; come/bs)

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E LIVE HOGS CIME MO, DOODUS OWNER/TOX

tonnes, taking 1995 wheat pronot be enough to meet its duction to 533m tonnes. The needs. Russia is trying to cut outlook is for a larger crop this imports of grains because of a year with the council increaslack of hard currency. The council said it expected ing its forecast for world production to 558m tonnes from

pean Union, China and India. The council pointed to lower than expected imports of wheat from Russia and noted that the country's production is expected to recover from last year's crop, which was depleted by drought. However the Interfax news agency said vesterday that Russian food

553m tonnes as a result of

higher estimates for the Euro-

coarse grain stocks - which include barley - to be depressed at 87m tonnes this year compared with 117m tonnes last year.

The council pointed to an expected recovery in the maize harvest in the US, which accounts for 84 per cent of world trade. It noted figures from the US Department of Agriculture which forecast an increase to 239m tonnes from 187m tonnes last year.

Martin & Co in South Africa, and the bank itself. first in mining research last year in a survey by the Finan-

LONDON MEYAL EXCHANGE H ALLEMANTAL, 90,7 PLANTY & per tormel 1577-78 1572-78 1608-09 1603-04 1819/1806 Door, int. ALLINERIUM ALLUY (5 per 1000)

BASE METALS Precious Metals continued # GOLD COMEX (100 Tray of: \$/fray of) 74012 -09 4008 6011 38715108.003 E PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 1387-90 1380-85 1390/1380 1142-45 E PALLADILM NYMEX (100 Troy cz.; \$/troy cz.) Jan Jan Dag Total 137.85 +0.36 138.50 137.00 723 1,305 188.75 +0.35 140.20 138.50 1,842 8,384 140.00 +0.25 141.50 141.50 3 108 141.25 +0.26 143.00 143.00 4 76 4,701 2,488 SELVEN COMEX (5,000 Trey oz.; Centa/trey oz.)

Karb close III LIEAD (5 per tonne 767-66 737.5-56 773/748 772-79 762-63 763 Kerb close 36,694 8,829 M NICKEL (8 per tore 7715-25 7650-60 7615/7610 7820-25 7760-70 7870/7600 7720-25 40,119 16,087 TIN (5 per torme 8080-90

ENERGY TO CRUDE OF NYMEX (42,000 US galls. S/berral) 8160-65 6175-80 8105-15 High/low AM Official 16,516 Open Int. Total daily built 4.545 ZINC, special hig ı grade (\$ per torme) 1057-58 M ORUGE OIL IPE STEETS 1044-45 1059/1048 1052.5-53.5 1053-54 77,419 28,489 (\$ per ton E COPPER, grade 2509-10 2488-87 2517/2485 2521-23

III LINE AM Official E/S rate: 1,5820 LME Closing E/\$ rate: 1.5311 Spot: 1.5323 3 mile: 1.5295 6 mile: 1.5269 9 mile: 1.5241 # HIGH GRADE COPPER (COMEX) 116,75 +2.20 117,00 114.40 2,686 8,613 115,93 +2.45 116,20 115,40 34 1,636 +2.45 116.20 115.40 34 1,536 +2.65 115.50 112.50 4,236 18,469 113.50 +2.50 × 1.3.10 111.00 213 4.097 +1.50 111.25 110.50

PRECIOUS METALS ELONDON BUILLION MARKET Prices supplied by N M Rothschild \$ price 400,00-400,40 261.21 400.35 261,95 400.65 401.50-401.90 399.90-400.50 Day's High 397 40-397.80 Loco Ldn Mean Gold Landing Rates (Vs US\$)

979.05

\$ price 399-402

412,60-415,15

564.95

576.35

£ equiv. 261-263

61-63

2 months

3 months

Silver Fix Spot

Bold Cold

M NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.) Latest Day's price change 2.282 -0.024 2,339 2,270 7,313 25,580 2125 2031 1,448 18,811 819 14,522 604 13,423 -0.018 2.060 1.960 -0.918 1.945 -0.006 1.9B3 403 11,580 545 9,259 1.895 12,728 149,493 MMEX (42,000 LS gats.; c/LS gats.) -0.05 +0.25 +0.37 80.30 ISA.70 13.084 20.181 59.30 58.70 4.204 13.667 57.95 57.60 1,237 5,993 58.50 56.20 1,204 4,909 +0.40 57.95 57.60 357

116,75 -L15 117,50 116,90. 3,218 38,547 157 11,544 639 3,979 309 13,823 38 4,754 13,589 220,724 -1.70 121.75 121.00 -0.70 110.00 110.20 -0.75 111.85 111.80 111.45 WHEAT ORT (5,000bu min; cente/50to bushet) +0.6 415.8 413.8 3.223 13.851 +0.6 418.5 418.5 132 4.633 +0.6 430.5 418.5 12 1.445 +0.8 - 8 294 512.50 +4.50 513.00 505.00 9.881 11.872 901.80 +6.25 503.00 491.00 9.546 25.996 461.75 -2.25 463.00 498.25 9.772 47.848 443.80 -3.00 4665.00 488.02 488 8.255 1473.75 -1.75 476.00 488.50 793 6,820 MAIZE CET (3,000 bu min; cents/68b bushet) 995.00 +1.25 395.50 399.50 37,564 45,699 389.25 - 390.50 384.00 50,373 205,932 382.00 -0.50 383.00 378.25 18,294 119,970 330.25 -5.00 333.25 327.26 3,512 35,214 +1.4 554.0 548.0 22.205 11.805 +1.0 559.5 554.0 29.416 50.475 +1.0 554.0 559.0 3,255 13.253 +1.0 589.0 565.0 428 10.645 +1.0 574.0 570.0 238 7.204 554.0 22,205 11,805 554.0 29,455 13,253 558.0 426 10,845 570.0 288 7,204 - 202 2,558 M SARLEY LCE (C per tonne) 107.90 -0.90 108.50 107.75 108.25 -1.00 108.75 108.75 108.90 -0.80 108.00 108.00 107.60 -0.80 108.20 107.60 109.65 -0.80 108.75 108.50 735.00 -4.75 739.00 730.25 20.780 15.203 745.00 -6.50 750.00 740.00 32.070 754.00 -6.50 759.00 749.00 9,846 754.00 -6.25 759.00 751.00 584 742.25 -4.75 750.00 741.00 188 19.21 47,524 97,868 18.47 27,063 58,760 18.04 12.471 41,907 40.15 18.25 18.04 12.471 41.907 40.08 17.87 12.76 4,580 35,808 # SOTATIEAN OF CHT (50,000) be consulted 17.55 2,834 17,710 17.42 4,941 17,447 107,738 409,023 22.80 -0.21 24.14 22.78 13.778 9.574
24.18 -0.27 24.56 24.17 14.468 32.572
24.58 -0.29 24.92 24.57 5.296 23.522
24.76 -0.29 25.09 24.75 1,192 6.145
24.95 -0.25 25.28 24.95 716 3,395
25.15 -0.25 25.43 25.15 222 2,573 25.15 -0.25 25.49 25.15 17.66 9,883 58,743 M SOYABEAN MEAL CBY (100 tons; \$/lon) 233.6 -0.9 233.8 290.8 10.894 11,115 238.0 -0.9 238.5 233.4 12,570 41,492 241.5 -0.5 242.0 238.0 7,407 23,93 242.0 - 242.2 240.0 654 5133 241.9 -0.7 242.0 238.3 345 3,075 236.1 - 237.0 234.6 272 2,202 MEATING COLUMNEX (42,000 US gails; c/US gails.) TO POTATOES LCE (Extenne) price change High Low Vol lot 61,75 +2.07 61,80 59.25 21,218 6,998 200.0 188.0 195.3 +3.0 +1.8 -+0.85 54.15 53.00 18,006 27,783 +0.50 50.50 411 1991 12,785 +0.40 48,95 48,40 1,287 12,055 +0.25 48,50 48,00 1,28 8,088 225.0 105.0 944 1,303 6,099 50,002 **88,95**7 1387 1406 1415 1405 1250 1355 21 25 17 1411 1304 1336 1348 173.00 -1.50 174.00 171.50 10,424 20,680

GRAINS AND OIL SEEDS

WHEAT LCE (E per tonne)

+1.25 151,75 150,25 1,083 7,511 +1.25 160,50 149,25 90 4,904 +1.25 150.50 149.25 90 4,904 +1.25 150.50 149.50 365 2,648 24,748 17,544 FUTURES DATA All futures date supplied by CMS. Australian wool prices have only just menaged to stay above seasonal lows this week though there are some reasons for viewing the world wool elustion with a liste more confidence. The New Zealand auction was clearer for a The New Zeeland auction was clearer for a second week at about 5% higher, British wool sales at Braciford were slightly higher and the Marketing board sold tenward wools at a premium. There is talk of increased buying interest by China whose partial withdrawal from the market lead to the price down of 1985/98. Retail demand in developed countries is slow but stocks and order books are declining. Australia's Eastern meter indicator closed at

681 2.759 3,366 2,423 27,176 931 1,936 14,753 953 1,705 37,661 973 ZARE 16,439 EL COCOA CSCE (10 tomes: S/tonnes) 1270 1203 1305 1325 91 495 5,301 42,933 707 17,515 717 10,731 1252 1268 1282 1314 1253 1263 1258 1310 M COCOA (ICCO) (SDR's/tonne) Feb 28 1906 1,267 4,880 1802 3,834 11,122 1742 593 6,185 1975 +5 +24 +21 +15 +10 +10 1960 1672 1958 1794 1793 117.80 +3.20 118.40 113.50 343 1,429 115.50 ±2.85 117.40 112.10 3,166 16,443 114.30 +2.85 115.00 111.00 674 4,191 +2.85 117.40 112.10 5.162 1 +2.85 115.00 111.00 674 +2.20 114.00 110.55 146 +2.35 112.50 108.50 69 4,191 2,603 1,230 III. COFFEE (ICO) (US cente/pound IN WHITE SUGAR LCE (S/tonne -4.7 382.5 375.0 1,107 14.214 -4.5 362.1 355.0 849 8,782 -4.2 324.1 319.5 196 4,884 -4.7 312.8 311.0 35 2,624 -2.4 309.3 307.8 43 685 320.1 309.6 12.53 -0.63 13.15 12.5012.546 8,536 11.60 -0.39 11.90 11.5618,877 67,477 10.82 -4.23 10.97 10.70 6.580 34.043 10.48 -0.14 10.55 10.38 1.475 26.647 10.22 -4.10 10.28 10.17 501 14.155 157 3.363 E COTTON NYCE (SQUODES CENTS/DE) 82.10 -0.50 83.45 82.10 139 519 83.20 -0.53 84.50 83.10 3,215 23,282 83.86 -0.39 84.95 83.80 783 11,634 80.95 -0.25 81.60 80.85 438 2.527 79.65 -0.34 80.15 79.50 2.952 16.228 80.50 -0.50 80.85 80.70 566 1,544 I ORANGE JUNCE NYCE (15,000ES CONS/ION) 127.45 +0.95 127.75 125.60 1,349 2,045 127.35 - 127.45 125.75 1,498 11,443 126.70 +0.60 126.90 125.75 350 2.517 120.75 -0.75 121.75 120.75 120.25 -1.00 121.25 120.25 93 2.367

Open interest and Volume dista shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. INDICES ■ REUTERS (Bese: 18/9/31=100) CAB Futures (Base: 1967=100) Feb 27 249.25 Feb 28 248.95 ■ GSCI Spot (Base: 1970-100)

Feb 27 month ego 199.22 190.68

49.575 +0.325 49.800 49.100 46.825 +0.225 45.850 45.450 48.700 - 48.900 46.500 63,500 +2,000 63,500 61,900 64,200 +2,000 64,200 62,600 82.100 +1.475 62.100 80.550 58.500 +1.300 52.850 57.400 65.400 -0.200 65.800 65.400 LONDON TRADED OPTIONS Strike price \$ tonne 1500 . 1600 1700 E COFFE 120 70 37 1850 ... M COCCA LCE LONDON SPOT MARKETS \$16,31-6.42 +0.18 -0.02 +0.13 \$18.76-8.82 \$17.81-7.82 Brent Blend (Apr) \$19.52-9.54w # OSL PRODUCTS INVESTIGATE delivery CF (come) Heavy Fuel Oil Nephtha \$102-104 S169-171 \$190-192 ■ OTHER Gold (per troy oz)-Silver (per troy oz).
Platinum (per troy oz.) 552.5c \$412.75 Paladium (per troy 02.) \$137.50 120.0c -2.0 Lead (US prod.) Tin (Kupia Lumpur) 41.75c 15.68m 288.50c Tin (New York) Cattle (live weight)† Sheep (live weight)† -1.32* 118.70 +1.15 130.97 102*.2*7 Pigs (live weight)† +3.5 Lon, day sugar (raw Lon, day sugar (wto \$324.1 \$404.5 113.5 Barley (Eng. feed) Maize (US No3 Yellow 150.5z Unq. Wheat (US Dark North Rubber (Mar)♥ Rubber (Apr)♥ 108.750 418.00m Rubber (KL RSS No1) \$732.5v Coconut Oil (Phil)S \$505.0 462.0y Palm Oil (Malay.)§ Copra (Phil)§

ough (6)

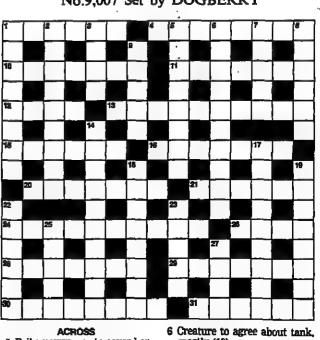
round (6)

211.0y 82.85

output this year and next will JOTTER PAD

CROSSWORD

No.9,007 Set by DOGBERRY



1 Bribe newspaper to cover bormostly (10) Sing praises of Middlesex to Londoner (5) Goes on to make profit (8) 10 Records a right tasty item (7) 8 Nervous condition resulting

12 The team gloated (4) 13 Graves, suffering lesion, takes short cut (10) 15 What festers round the edge 17 Mass heartless composer set of the heater (6) 16 Gossip about wearing foot- 18 Firebrand not born to pro-

wear (7) 20 One in ten men may be distin- 19 He's two steps down the line 21 Aid recipient gets pub snack 22 Put paid to spirit (6) thrown in (6) 24 Slang for "a man of the mountains" (10)

25 Kicked up fuss in Holland at junction (5)

New Northern Light? (4) 28 Artisan holding theologian to be small fry (7) 29 Peculiar-sounding beast with armour plating (7) 30 Skin problems admitted to be on the rise (8) 31 Humble oriental called back

DOWN 1 Turner, perhaps, beginning to spring a leak outside (8)
2 Source of disease etc, turning

3 Storyteller about to get the Judge Rhodesian leader by

law of separate colours (7)

SPORTING BANEST
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9 Party lifter lifted (5) 14 Disc spinners come back from

duce radiation (8)

27 Building a fortune (4)

Solution 9.006

with thousands at stake (8)

in stone (9)

23 Equal contest (5)

By Samer Iskandar in London and Lisa Bransten in New York

Sentiment was gloomy early yesterday on European mar-kets. Yields headed higher when traders realised that the French and German central banks would not satisfy their wish to see lower official inter-

Analysts, however, remained optimistic on most markets, feeling there was scope for more German and French rate cuts, due to high and rising unemployment and little

chance of improvement in the near future. OATs and bunds were supported in the afternoon by a stronger US Treasury market, following the release of a lower than expected Chicago Purchasing Managers' index. While this positive mood proved short-lived in the US, it nonetheless lasted long enough to sustain markets off their lows through the European

■ The yield on the benchmark 30-year Treasury bond rose through 6.5 per cent in volatile trading early yesterday as uncertainty about the strength of the economy continued to send prices lower across the

maturity spectrum. That was the first time since September 28 that the long bond yield has held above 6.5 per cent. Economic data released yesterday was mixed, which accounted for some of the market's choppiness. Bonds sunk near the beginning

Convertible bond issues yesterday from

Alusuisse-Lonza of Switzerland and

Ashanti Goldfields of Ghana went some

way to correcting the chronic supply/de-

mand imbalance in the market caused by

a scarcity of new issues and a rash of

By Antonia Sharpe

department reported that the number of people filing first time claims for unemployment benefits fell by 23,000.

At mid-morning, however, bonds regained their footing on news of weakness in the Chi-cago Association of Purchasing Management's index of business activity. That index -

GOVERNMENT BONDS

the National Association of Purchasing Management figure due out today - fell by 6 points to a new four-year low of 44.9. But the market's recovery proved brief and by midday, the long bond was off % at 93% to yield 6.525, while at the short end of the maturity spectrum the two-year note was off 1/4 at 991/2 to yield 5.426 per cent.

Mr Woody Jay, head of global government trading at Lehman Brothers, said the Chicago numbers caught some investors off guard, but that the overall tone of the market remained bearish. The economy is better than

we thought three weeks ago," he said. "The market had been aggressively priced for more ease and now we're repricing." ■ German bonds drifted lower when the Bundesbank disap-

pointed traders who were expecting a cut in the discount or Lombard rates. The March 10-year bund future listed on Liffe closed at 97.05, down 0.21.

bullish, as the market closed safely above its lows. Analysts were confident the bund contract was well supported around 96.65-96.75, a technical level that should not be breached easily. One institutional bond investor is convinced that, "unless you feel that European monetary union is never going to happen, Ger-man bonds now offer good value with low risk". He finds long maturities "particularly attractive, given the steepness of the yield curve".

French government bonds traded erratically, falling early in the session when the central bank failed to fulfil expecta-tions of a rate cut. The March contract of Matif's 10-year future closed at 120.86, down 0.08, after reaching an intra-day low of 120.54. In the cash market, the yield on the bench-mark 7% per cent OAT due 2006 rose 3 basis points to 6.68 per cent, and the spread over 10-year bunds widened by 2 basis points to 28.

"Fundamentals remain bullish for the short end of the yield curve, which would bene-fit from rate cuts by the central bank," said Ms Yassamine Ravai, a fund manager at Credit Lyonnais Asset Management in Paris. "Longer maturities, however, are more dependent on the state of public finances." This could lead to further steepening of the French yield curve while investors await future measures by the government of Mr Alain

Juppé, the French prime minis-

ter, to rein in public deficits.

Alusuisse and Ashanti convertibles in demand

meant that both issues were significantly oversubscribed, increasing the likelihood that over-allotment options would be exer-

cised. Alusuisse's \$230m five-year bond

sion premium of 19.5 per cent.

has a coupon of 2 per cent and a conver-

Ashanti's \$220m seven-year bond, the

first international convertible from sub-Saharan Africa, has a coupon of 5%

■ UK gilts continued to per-form weakly as the market struggled to absorb the remainstruggled to absorb the remaining paper from Wednesday's poorly-bid £3bn auction. Liffe's March 10-year gilt contract closed at 106%, down %. But analysts seemed to remain optimistic. While the yield curve had steepened to 32 basis points between 10 and 20-year maturities. compared to 27 maturities, compared to 27 before the auction, Mr Andrew Roberts at UBS Limited felt it did "not have much further to

The market is trading at the bottom of a range and is well supported at these levels," said Mr Simon Briscoe at Nikko

Europe. He predicted that any significant move above 8 per cent in the yield on 10-year gilts would trigger buying by domestic institutions. Given the inflation outlook of around 2-24 per cent, Mr Briscoe believes that investors would seize the opportunity to lock in real yields close to 6 per cent. Last night the benchmark 7% per cent gilt due 2006 was yielding 8.03 per cent.

Spanish bonds suffered from profit-taking, prior to next Sun-day's general election. The March futures contract on 10year Bonos settled at 95.95, down 0.45. But traders did not seem to panic. "This a normal, healthy correction following recent gains," said a bond trader at a large French bank. Meanwhile, the 10-year spread of Bonos over bunds continued to tighten, to 323 basis points

used to finance acquisitions. Investors prefer convertible bond issues to be linked

to specific projects to limit earnings

Fees on both transactions were 2% per

cent. This is likely to have calmed bankers

who had feared that the 2 per cent fee on a recent sterling convertible for BAA, the

BSES's offering is the first of several issues likely to come to market before the Indian elec-

FT-ACTUARIES PIXED INTEREST INDICES

Thu Day's Wed Accrued Feb 29 change % Feb 28 interest

Midland Bank deal best **BSES** issue revives received of sterling trio Indian **GDR** sector By Conner Middelmann in London and Raymond Colliti

Three sterling issues hit a quiet eurobond market yester-day, of which a £150m issue of

points over Libor, saw good

demand from UK institutions with open lines to the bor-

rower, according to lead UBS.

Another floater came from

Maria La Maria La La Sala

The market in Indian global depositary receipts sprang into life this week when BSES. India's largest private-sector power company, raised \$125m through a GDR offering. BSES's issue, the first Indian GDR of 1996, breaks an eight-

month dry spell for the market which has been through a "boom and bust" experience rowed to 113 basis points as over the past two years.

In 1994, India was the most active issuer of GDRs, with 39 offerings which raised more than \$3bu. But issuance slumped in 1995 to just three offerings totalling less than \$300m, mainly as a result of the Mexican peso crisis which turned international investors away from emerging markets. Mr Roddy Sale, head of capital markets at Jardine Fleming in India, the bank which arranged the BSES offering. said international investors had placed orders worth \$900m but that \$125m was the

maximum allowed by the Indian finance ministry. Strong demand meant that BSES was able to price the GDRs, which represent three BSES shares each, at \$14.40 each or a premium of 3.87 per cent to the local share price. Jardine Pleming said BSES was the first to price an issue at a premium to the local market since October 1954.

tions in April.

Larsen & Toubro, India's biggest private-sector construction and engineering con-glomerate, and SAIL, India's steel authority, are in the pro-cess of launching GDR offer-ings of more than \$100m each. Bankers say there is a healthy number of deals in the pipeline which are set to emerge

Italy's IMI Bank, which issued £125m of bonds at an all-in cost of 16 over Libor. Both traded close to full-fees near the close. Elsewhere, Venezuela's finance minister, Mr Luis Raul Moter Avenezuela and Wadnesday.

perpetual, subordinated, step-up bonds for Midland Bank, callable after 10 years, ment was considering placing \$200m of debt securities in the was the most successful. INTERNATIONAL The launch yield spread of 115 basis points over gilts nar-BONDS

investors snapped up the high-yielding paper. The deal was fully sold by the time the syn-dicate broke, said lead HSBC. A £200m floating-rate note Italian market and \$500m of bonds in the US market. A DM750m seven-year issue, for which a mandate was signed earlier this week, is expected issue for the Northern Rock Building Society, tightly priced at an all-in cost of 8 basis to yield around 480-500 basis points over German govern-

Matos Azocar, on Wednesday said the Venezuelan govern-

ment bonds. Standard & Poor's, the rating agency, has placed ratings of Compagnie Financière de Parihas, Banque Parihas and

with negative implications. CFP has a short-term rating of A-1 and Banque Paribes' senior unsecured debt rating stands at A. S&P said the move at A. Ser sam the move reflected the falling profitabil-ity of Banque Paribes and the continuing impact of the fall in the French commercial property market on the group as a

S&P also affirmed its BB-rat-ings on Mexico's long-term for-eign currency obligations, including Brady books, and its BBB+/A-2 ratings on Mexico's long and short-term peso-denominated obligations, though the outlook remains

long-term ratings of triple-A to several public-sector-backed bonds and mortgage-backed bonds issued by Rheinhyp (Rheinische Hypothekenbank)

	NEW II	TER	MATIO	MAL B	OND	ISSUES	1.72
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GANADIAN DOLLARS Toyotz Credit Canada	100	7.00	99.95R	Apr 2001	1.875	+6(77±96-01)	CIBC Wood Gundy
PESETAS Kingdom of Sweden(s)	10bn	9.41	102.05	Dec 2026	2.26		Banco Bibac Vizzaya
MARKICAS Nordic Investment Series	100	7.03	100,00R	Mar 2001	1,875R		DISC Wood Dundy
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WORLD INTEREST RATES

Over night

7.00 7.00

3.00 3.00

MONEY RATES

MARKETS REPORT

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PAY MARCHIN

Dollar rises after German rates are left unchanged The dollar strengthened on the foreign exchanges yesterday despite the Bundesbank's decistacted tre sion to leave interest rates of Banque Period No. staning impart of the The US currency was under-Erench comment

pinned by Bank of Japan sup-port and by continued bearishness towards the D-Mark, The South African rand

weakened after further rumours that President Nelson Mandela was unwell and on renewed speculation that adjustments to exchange controls are to be made soon. The pound did better against

the D-Mark, helped by the stronger dollar. Data showed the UK's trade gap with the rest of the world was virtually unchanged between November and December but the deficit with countries outside the EU widened in January.

The Italian lira, Swedish grona and French franc failed to extend recent gains against

8.6944 6.9581 7.7131 2.2500

189,403

1.2170

1.5076 2.1001

CROSS RATES AND DERIVATIVES

100 58.21 59.98

EXCHANGE CROSS PATES

UK INTEREST RATES

Certs of Tax dep. (£100,000)

Open

93.92 94.01

93.91 93.68 93.33

0.19 0.03

625

Brit Bk of Mid East ... 6.25

6Brown Shipley & Co Ltd .8.25

Clabertk NA ... 6.25

Clydestele Bank ... 6.25

The Co-operative Bank ... 6.25

Coults & Co ... 5.25

Credit Cyothesis ... 6.25

Cypnus Popular Bank ... 6.25

Strike Price

9375

93.58 93.25

0.54 0.18

LONDON MONEY RATES

the D-Mark
Sterling finished against the
D-Mark at DM2.25 from DM2.2438 at the previous close. It closed weaker against the dollar at \$1.5309 from \$1.5351. The dollar finished in Europe

at Y105.17 from Y104.39, and at DM1.4697 from DM1.4614. The Italian lira closed unchanged at L1,059 against the D-Mark. The French franc was also unchanged at FFr3.428. The Swedish krons finished at SKr4.591 from

The Bundesbank cooled expectations of further interest rate cuts when it left its discount and Lombard rates unchanged at its regular council meeting and fixed the repo rate at 3.3 per cent for the next

E Prop	d to New Yor	
Feb 25	Latest	Prev. close
g apat	1.5330	1.5330
1 mb	1.5310	1.5316
3 with	1.5300	1.5300
1 yr	1,5206	1.5200

18.8472 18.7541 18.7842 48.3200 48.1550 48.1542 8.7042 8.8813 8.6624 8.9840 8.9550 7.7242 7.5923 7.7009 2.2546 2.2456 2.3456 770.744 388.220 0.8737 0.9710 0.9708

286.87 2872.44 2860.82 48.300 48.1550 48.1542 2.5262 2.5183 2.518 9.6184 8.7420 3.788 28.784 231.780 283.987 180.557 180.850 180.823 10.3543 10.2643 10.3351 184.11 18318 18282

1.5032

11,0510 11,8165 11,8264

0.041 0.986 0.982 0.418 0.518 0.941 0.630 0.972 0.463 0.635 0.604 0.799

3-6 months

93.89 93.83 93.82 93.54

0.03 0.12

-0.02

-0.05 -0.05

BASE LENDING RATES

Est vol

13091 2656

63510 75678 55779

0.30

1.500 1.510 1.520 1.530 1.530

Mer Jon Sep

5.445 1.677 3.269 1,130 2.592 0,106 1 1.078 1.390 2.490 1.575 2.510 1.200 1.646 1.565 2.070

70,241 9,178 1,599

21.18 11.27 12.70 4.351 10.41

905.0 290.7 802.9 105.0 240.8 9.803 92.74 238.5 100. 127.3 238.6 111.2 152.6 145.1 191.9

54.1400 52.8000 4.7916 4.7420 -161.100 160.070

8.9064 3.8074 2.2030 2.2711 40.0042 35.9072 6.7492 5.7237 2.1051 2.1596 5.9350 5.6596 1.900 94 1106 67

1200.94 1198.67

2365.81 2272.45 48.3200 46.1550 2.5262 2.5183 9.8184 8.7420

1,8411 1,8316

1,5081 2,1125

+0.0479 104 - 300 +0.2077 455 - 729 +0.0286 805 - 982 +0.0256 514 - 647 +0.0229 106 - 152 +0.0057 482 - 507 +1.156 654 - 133 - 713 - 724 -8.54 177 - 496

- 713 - 724 +8.54 177 - 496 +0.2077 155 - 729 +0.0096 1507 - 502 +0.01 501 - 018 +0.61 462 - 061 +0.677 332 - 474 +0.009 255 - 415

-0.0016 070 - 061 -0.013 984 - 007 +0.0797 486 - 823

8.872 10 3.428 7.985 0.324 3.062 7.874 8.302 4.072 7.407 4.205 7.713 3.673 5.008

2.586 2.917 1 2.315 0.094 0.893 1.189 1.288 1.071 1.071 1.598 1.840

two weeks.
Despite the move, the dollar found support from investors. Analysis said the US currency has moved back into favour after good trade data on Wednesday and after a recent firming of US interest rate expectations. Futures markets suggest that a less severe easing of US interest rates is now anticipated, analysts said.

But the dollar's better perfor-

mance was also a reflection of increased bearishness towards SKr4.588 against the D-Mark. the D-Mark, analysts said. "There is a fundamental bearishness towards the D-Mark to do with the belief that interest rates are set to fall but also people are nervous

> ling," said Mr Adrian Cunning ham at UBS in London. Ms Ros Lifton, bond analysi at Dalwa in London, said that she was convinced German interest rates would fall soon although this expectation was not yet reflected in the money markets – the June euromark

2485.42 45.0942 E.4596 B.7159

89.7

153.0

105,1

-2.7 -0.2 -4.3

45.9542 8.6623 6.9456 7,5819 2.2351

1.2 -3.6 2.7 2.8 1.0 -2.2 -0.2 -0.2

that the economy is stumb-

last three months.

CURRENCIES AND MONEY

contract was discounting an interest rate of 3.3 per cent, the same as the current repo rate,

■ Institutional around the world have raised their exposure to the dollar to the highest level for almost three years, according to the latest Merrill Lynch investor

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

+0.0562; 541 - 390 +0.217; 120 - 220 +0.034; 775 - 810 +0.0281; 413 - 486 +0.0285; 375 - 390

+1.405 840 - 760 -0.0042 746 - 760 +9.64 600 - 768 +0.217 120 - 220 +0.0100 450 - 460 +0.0007 958 - 115

+0.81 520 - 610 +0.845 890 - 750 +0.045 456 - 945 +0.0875 980 - 680 -0.0042 307 - 311 -0.0084 676 - 555

+0.0016 846 - 890 -0.0048 715 - 720 +0.0725 100 - 300

-0.0054 074 - 082 -0.0004 310 - 315

-0.0004 310 - 315 -0.48 000 - 500 -0.0083 879 - 029 +0.78 140 - 200 +0.025 485 - 485 -0.01 200 - 500 - 502 - 507 +0.026 650 - 750 +0.026 650 - 750 +0.025 650 - 900 +0.0015 970 - 900 +0.000 - 200 - 200

2.63† 1.400 1.578 0.541 1.252 0.051 0.483 1.242 0.921 0.643 1.178 0.683 1.217 0.560 0.786

Est. voi Open int. 17,638 84,574 962 5,766 87 886

5.17 4.40 4.07 4.04 2.87 2.73 1.84 0.00

-2.66 8.64 -3.50

0.40 0.55 0.87 1.28 1.62 2.51

0.80 1.11 1,49 1.94 1.51 3.04

Est yell Open att.

59,673 329,243 170,876 394,281 198,294 336,367

5,138 7,231 1,394

0.08 0.17 0.34

0.40 0.67 0.78

Closing Change mid-point on day

8.7501 1.1985 1.5309

0.9848

| Basel-Africa: |AB| 1.3077 |AB| 7.7518 |Fe| 34.6750 |She| 3.1004 |M| 105.170 |AB| 2.548 |Peopl 26.1550 |GF| 3.7505 |GF| 3.7505 |GF| 3.7505 |CF| 3.7480 |CF| 27.4800 |CF| 27

terael Jupan Meleyain New Zealand Philippines Saudi Arabia

2.162 4.540
1.150 2.415
1.297 2.728
1.444 U.W2
1.029 2.160
0.042 0.068
0.397 0.524
1.021 2.144
0.428 0.008
0.598 2.038
1.104
1 2.100
0.478 1
0.653 1.372
0.621 1.804
0.622 1.726

High 0.9588 0.9701 0.9817

+6.119 +0.00236 +0.0449 +0.0175 +0.00232 -0.004 +0.00835 +0.00835

3.88 3.19 2.58 2.07 1.80 1.22

94.89 94.94

+0.01

0.08 0.18 0.25 0.53 1.17 1.80

0.00

94.69 94.72 94.67

Apr 0.03

0.02

0.06

0.21 0.37 0.58

Low 0.9513 0.9526 0.9786

22.33 11.85 13.39 4.591 10.69 0.438 4.101 10.55 4.422 5.464 10 5.629 10.38 4.919 6.747 6.416

409.4 217.9 245.6 84.18 194.9 75.19 193.3 811.00 100. 184.3 105.2 189.4 80.19 123.7 117.6 165.6

3,967 2,111 2,379 0,816 1,816 0,077 0,726 1,878 0,999 1,786 1,895 0,674 1,180 1,140

-0.0077 -0.0084

ING EUROPEAN CURTERCY UNIT RATES

159,259 2,11914 38,9058 12,5132 1,89252 198,235 7,31207 6,48505

162,493 2,16214 39,3960 11,4383 1,91007 195,782 7,28560 6,40608

3.23 2.35 1.53 0.87 0.42 0.16

94.76 94.75

95.20 95.19

85.22 E.14

0.27

The survey of almost 100 large institutional investors pointed to a large switch of investment funds out of the D-Mark into dollars over the

Mr Joe Prendergast, currency strategist at Merrill Lynch in London, said: "This result explains why there has been limited success in pushing the dollar to the upside." In such an overweight market there was a risk that any had news could have a large

Investors are also still extremely underweight in yen, reflecting investors' tendency to borrow in yen but to invest in higher yielding currencies such as the dollar, the survey

negative impact on the dollar,

■ The Czech central bank again intervened to support the koruna following Wednesday's decision to widen the exchange rate bands within which the currency moves.

5.6940 5.6666 4.5520 4.5048 5.0505 5.0250 1.4739 1.4655

242.030 240.210

242.030 240.210 1.5780 1.5897 1580.25 1548.92 30.3820 30.1000 1.6500 1.6416 6.4141 6.3580 192.990 151.230 123.990 123.380 8.7664 6.8973 1.2038 7.1856

0.9999 0.9995 0.9850 0.9939 1.3790 1.3704

1.3082 1.3074 7.7315 7.7310

FUTURES &OPTIONS

1.5330 1.2627

E OTH	er Currencie	8
Feb 29	E	\$
Casci Rp	41,7743 - 41,8618	27.2510 - 27.3410
Hangary	217.329 - 217.462	147.90 - 142.00
ican,	4593.SD - 4592.10	JUNE 110 + 3052-01
ينوهيلا	0 ASS - D AD 3	0.385 ~ 0.587
Poland	19155 - 39196	
Aussia	7395.01 - 740C-46	MEETLOO - ASSIGN
MAZ	5 6210 = 6.6MG	1,2723 - 1,6722

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Petroleum Argus

30.172 5.6759 4.5406

5,0342 1,4676 842.54

1,5758 1563,19 30,166 1,6424 6,3965 162,84

6.7671 1.1949

7.732 -0.1 34.025 -8.2

3.751 -0.1 1.4096 3.0 3.8988 -8.0 785.56 -4.8 27.518 -0.8

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The FT GUIDE TO WORLD CURRENCIES, published in Monday's

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-02 -49 21 22 0.4 -29 -3.8 -3.0 3.6 0.9 -0.3

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Potenti Russia VAZ V	1.9155 7391.07 1.010 1.8 1.8 1.8 -0.0 -0.1 -4.7 1.9 2.3	- 3 91% - 7402 40 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	3.8723 3.8723 5.6 1.6 1.6 0.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1	1 - 2,980 2 - 4656,09 3 - 167,22 P Morgan index 106,9 107,9 108,5 65,6 73,7 107,9 107,8	French Franc Portuguese Es Spanish Peset Starting Swas Franc Can. Dollar Lis Dollar Issian Lira Yen Asian Sing Short term rate In Triansia Iss	2. 81/2 82 83 84 84 84 84 84 84 84 84 84 84 84 84 84	7 7 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	423 - 4 813 - 8 634 - 6 154 - 1 514 - 1 104 - 1 17 - 1 18 Dollar FUTUR	48 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	- 4. - 751 - 67, - 51, - 51, - 51, - 7, - 11, - 11	6/6 - 733 6/2 - 6/3 6/2 - 6/3 6/3 - 6/3 6/4 - 6/3 10/4 10/4 6/4 - 6/3 7/4 - 7 7/4 - 7	412 - 8/6 - 8/6 - 6/8 -	4% 733 8% 6% 11% 5% 5% 933 7 24, 498 498 989 100%	5.6 - 5.6 - 5.9 -
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Petand Russia VAZ VA	1.9156 739147 1.916 1.8 1.8 1.8 -0.0 -4.7 1.9 2.3 0.7 1.9 2.3	3 91% - 1402 40 - 1402 40 - 1402 40 - 1402 40 - 1403 40	2548 48106 3.872 98PA 1.6 -0.1 0.5 1.6 -0.1 0.5 1.6 -4.4 1.5 1.9 0.4 1.5 1.9	1 - 2580 2 - 465609 1 - 1672 P Morgan Index 105.9 107.9 108.9 109.8 65.6 73.7 107.9 107.8 88.0 98.2	French Franc Portuguese Es Spanish Peavt Starting Swass Franc Can. Dotter US Dotter US Dotter Us Dotter Us Dotter Us Sang Short tentu rate W THEFEE M Mar Jun Sap	e. 61g 61g 61g 556 516 1012 1012 1012 1012 1012 1012 1012 10	7 72 - 12 - 12 - 12 - 12 - 12 - 12 - 12	42 - 4 812 - 8 613 - 6 113 - 1 614 - 1 113 - 1 113 - 1 113 - 1 115	42 8 84 84 84 84 84 84 84 84 84 84 84 84 8	- 4.1 - 751 - 6.1 - 51 - 51 - 51 - 51 - 11 - 11 - 11 - 1	6/6 - 783 6/2 - 6/3 6/2 - 6/3 6/2 - 6/3 6/3 - 6/3 1/4 - 1/4 6/3 - 5/3 10 - 98 10 - 98	412	4% 733 8% 8% 11% 997 84 998 1009 1009 1009 1009 1009	5.6 - 3.6 5.8 - 5.4 5.4 - 5.4 1 - 1 2.4 - 2.4 From) Open Int 50,207 57,986 47,064
Potenti Rusch VAZ VA	1.9155 7295.27 1.9150 1.8 9.6 1.1 0.6 1.1 0.6 1.1 0.1 -0.1 -4.7 1.9 2.3 0.7 -3.7	- 3,91% - 1402-41 - 12049 - 10,1686 - 29,747 - 5,6868 - 4,5156 - 5,0143 - 1,4464 - 280,485 - 1,5686 -	2.54 4810 1.872 487A 1.6 1.6 0.5 1.6 0.5 1.8 0.3 -4.4 1.9 0.4 -3.7	1 - 22800 2 - 4256.09 3 - 4256.09 4 - 167.22 P Morgan index 105.9 107.9 108.8 109.6 65.6 73.7 107.8	French Frenc Portuguese Es Spanish Peset Stering Swais Franc Can. Dollar Lis Dollar Issian Lira Yen Asian Sang Short terts rate If THATESE M Mar Jun Sep	C. 61/2 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	7 72 - 12 - 14 - 14 - 14 - 14 - 14 - 14 - 1	423 - 4 812 - 8 613 - 1 113 - 1 514 - 1 1014 - 1 113 - 1 15 - 1 16 - 1 17 - 1 18 - 1	48 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	- 4,1 - 712 - 713 - 713	6 - 733 6 - 733 6 - 733 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6 -	412 - 8,12 - 8,12 - 8,12 - 8,12 - 8,12 - 8,12 - 11,12	45 73 86 66 115 56 97 100 100 100 100 100 100 100 100 100 10	9.6 - 3.6 8.8 - 5.9 9.4 - 9.4 1 - 2.4 1 - 2.4 Prism) Open int 50,207 57,986 47,084 Open int 182638
Potenti Rusch WAZ Three mor Rote 9 10.2901 20.06 1.45321 5.0283 245.79 1.572.94 30.077 1.63562 124.85 17966	19155 1870 1.9 1.8 1.8 1.1 0.8 1.1 1.8 -0.1 -4.7 -2.3 0.7 -2.3 -2.8	- 3.91% - 7462-46 - 7462-46 - 7462-46 - 7462-46 - 747-47 - 5.6868 - 4.515-6 - 5.0143 - 1.5468 - 4.515-6 - 5.0143 - 1.5468 - 4.515-6 - 5.0143 - 1.54688 - 1.54688 - 1.54688 - 1.54688 -	2348 4810 1872 38PA 1.6 -0.1 0.5 1.5 -0.1 0.3 -4.4 1.5 0.4 -3.1 -3.1 -2.7	1 - 2,980 2 - 465609 1 - 1672 1 - 1672 1 - 1672 1 - 1672 105.9 107.9 108.9 108.9 108.6 65.6 73.7 107.8 107.8 107.8 107.8 107.8 107.8 108.0 108.	French Frenc Portuguese Es Spanish Peset Starting Swas Franc Can. Dotter Lis Doller Instan Lira Yen Asian SSing Short turn rate W WARNESE W Mar Jun Sep Mer Jun Sep Dec	C. 8 ¹ / ₈ a 8 ¹ / ₈	7 72 - 654 - 1 74 - 554 - 554 - 554 - 554 - 554 - 554 - 555	42 - 4 8 - 8 6 - 6 1 - 1 5 - 1 10 - 1 1 - 1	42 42 42 43 43 44 43 44 44 44 44 44 44 44 44 44	- 41 - 71 - 71 - 81 - 81 - 51 - 51 - 51 - 51 - 51 - 51 - 51 - 5	6/6 - 783 612 - 613 613 - 613 614 - 613 614 - 514 514 - 514 515 -	412	4% 731 86% 86% 969 100% 100% 100%	5.6 - 3.6 5.8 - 5.4 5.4 - 5.4 1 - 1 2.4 - 2.4 From) Open Int 50,207 57,986 47,064
Potanti Rusch 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	19155 729137 1 5219 1 5219 1 1.5 0.6 1 1.1 1 0.8 1 1.8 1 1.8 1 1.8 1 1.9 1 2 2 3 3 5 1 2 3 3 5 1 3 5 1	One year Fate 10.1686 29.747 5.6868 4.5156 5.0143 1.3484 280.485 1.5698 1622.84 29.772 1.6126 E.3713 1.57.315 126.34	2.548 4810 3.872 487A 1.6 1.6 0.6 0.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1	P Morgan index 105.9 107.9 108.9 107.8 65.6 65.6 107.9 107.8	French Frenc Portuguese Es Spanish Peset Stering Swais Franc Can. Dollar Lis Dollar Issian Lira Yen Asian Sang Short terts rate If THATESE M Mar Jun Sep	C. 8 ¹ / ₈ a 8 ¹ / ₈	7 72 - 654 - 1 74 - 554 - 554 - 554 - 554 - 554 - 554 - 555	42 - 4 8 - 8 6 - 6 1 - 1 5 - 1 10 - 1 1 - 1	42 42 42 43 43 44 43 44 44 44 44 44 44 44 44 44	- 41 - 71 - 71 - 81 - 81 - 51 - 51 - 51 - 51 - 51 - 51 - 51 - 5	6/6 - 783 612 - 613 613 - 613 614 - 613 614 - 514 514 - 514 515 -	412	4% 731 86% 86% 969 100% 100% 100%	9.6 - 3.6 8.8 - 5.9 9.4 - 9.4 1 - 2.4 1 - 2.4 Prism) Open int 50,207 57,986 47,084 Open int 182638
Potenti Russia VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ	19155 728.77 1500 1500 1.5 1.8 1.8 1.0 1.8 1.1 1.8 1.1 1.8 1.1 1.8 1.1 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3	- 3,91% - 7402-40 - 7402-4	1.8 1.8 1.8 1.6 0.5 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9	1 - 2,980 2 - 465609 1 - 1672 1 - 1672 1 - 1672 1 - 1672 105.9 107.9 108.9 108.9 108.6 65.6 73.7 107.8 107.8 107.8 107.8 107.8 107.8 108.0 108.	French Frenc Portuguese Es Spanish Peset Starting Swas Franc Can. Dotter Lis Doller Instan Lira Yen Asian SSing Short turn rate W WARNESE W Mar Jun Sep Mer Jun Sep Dec	C. 8 ¹ / ₈ a 8 ² / ₈ 8 ² / ₈ 8 ² / ₈ 8 ² / ₈ 1.8 ² / ₈ 5 ² / ₈ 10 ² / ₈ 5 ² / ₈ 10 ² / ₈ 6 ² / ₈ as any collision of the collision	- 7% - 8% - 1% - 5% - 5% - 5% - 5% - 5% - 5% - 5	4-3:	4.8 4.8 4.8 8.4 8.4 8.4 8.4 8.4 8.4 8.4	- 41 - 71 - 71 - 71 - 71 - 71 - 71 - 71 - 7	6/6 - 783 612 - 613 613 - 613 614 - 613 614 - 514 514 - 514 515 -	442 - 842 -	4% 731 86% 86% 969 100% 100% 100%	9.6 - 3.6 8.8 - 5.9 9.4 - 9.4 1 - 2.4 1 - 2.4 Prism) Open int 50,207 57,986 47,084 Open int 182638
Potenti Rusta 9 10.2001 20.06 2.6703 1.483 245.79 1.572 1574.94 20.07 1.635 6.385 1.585 1.796 1.124.5 1.796 1.1577	19155 729137 1 5219 1 5219 1 1.5 0.6 1 1.1 1 0.8 1 1.8 1 1.8 1 1.8 1 1.9 1 2 2 3 3 5 1 2 3 3 5 1 3 5 1	One year Fate 10.1686 29.747 5.6868 4.5156 5.0143 1.3484 280.485 1.5698 1622.84 29.772 1.6126 E.3713 1.57.315 126.34	2.548 4810 3.872 487A 1.6 1.6 0.6 0.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1	P Morgan index 105.9 107.9 108.9 107.8 65.6 65.6 107.9 107.8	French Frence Portuguese Es Spanish Peset Starting Swass Franc Can. Dotter LIS Doller Inglian Lira Yen Asian SSing Short terris rates W THANSE M Mar Jun Sep In THANSE M Mar Jun Sep Dec III THANSE M	C. 8 ¹ / ₈ a 8 ¹ / ₈	- 7:23 - 8:4 - 1:4 - 5:4 - 9:2 - 1:1 -	4-6: 4-6: 582 - 4: 583 - 4: 583 - 4: 583 - 4: 584 - 584 - 4: 584 -	42 42 42 43 43 43 43 43 43 43 43 43 43 43 43 43	- 4,1 - 712 - 712 - 713 - 516 - 517 - 517 - 518 - 518 - 518 - 518 - 111 -	6/6 - 783 6/2 - 783 6/2 - 6/3 6/2 - 6/3 6/3 - 6/3 6/4 - 6/4 6/4 - 6/3 6/4 - 6/3	42	45, 66, 113, 66, 67, 68, 68, 68, 68, 68, 68, 68, 68, 68, 68	9 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 -
Potenti Russia VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ	19155 728.77 1500 1500 1.5 1.8 1.8 1.0 1.8 1.1 1.8 1.1 1.8 1.1 1.8 1.1 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3	- 3,91% - 7402-40 - 7402-4	1.8 1.8 1.8 1.6 0.5 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9	P Morgan index 105.9 107.9 108.9 107.8 65.6 65.6 107.9 107.8	French Frenc Portuguese Es Spanish Peset Starting Seviss Franc Can. Dollar Lis Dollar Lis Dollar Lis Dollar Lis Sing Short tenti rate Mar THERESE M Mar Jun Sep Dollar THERESE M Mar Jun Sep Dec Dec THERESE M	C. 8 ¹ / ₈ as are call manning to 10 ¹ / ₈ s are call mannin	- 7:23 - 8:3 - 1:4 - 5:4 - 5:4 - 1:5 -	4-3: - 4: - 5: - 5: - 5: - 5: - 5: - 5: - 5	42 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	- 4,1 - 711 - 819 - 519 - 519 - 519 - 519 - 519 - 711 - 171 -	8/6 - 7/33 8/2 - 1/35 8/2 - 6/3 - 6/3 8/2 - 6/3 8/3 - 6/3 8/3 - 6/3 8/4 - 5/	42 - 43 - 45 - 45 - 45 - 45 - 45 - 45 - 45	45, 66, 113, 66, 66, 66, 66, 66, 66, 66, 66, 66, 6	5/6 - 5/6 5/6 - 5/6 9/4 - 9/2 1 - 1 2/4 - 2/3 Fr6m) Open int 50.207 57,966 47,064 Open int 182321 161864 Open int 36108
Potenti Russia VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ	19155 728.77 1500 1500 1.5 1.8 1.8 1.0 1.8 1.1 1.8 1.1 1.8 1.1 1.8 1.1 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3	- 3,91% - 7402-40 - 7402-4	1.8 1.8 1.8 1.6 0.5 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 0.4 1.5 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9	P Morgan index 105.9 107.9 108.9 107.8 65.6 65.6 107.9 107.8	French Frenc Portuguese Es Spanish Peort Sterling Swas Franc Can. Dollar Lis Dollar Iss	C. 8 ¹ / ₈ a 8 ² / ₈ a 8 ² / ₈ 5 ² / ₉ 11 ² / ₈ 5 ² / ₉ 10 ² / ₈ 5 ² / ₉ 10 ² / ₈ 6 ² / ₈ a are call MANTRE 1 Open 95.62 95.82 96.57 96.79 96.79 96.79 96.78 96.32 (Open 96.58 96.32 SOMT) 1 Open 96.85 96.32 (Open 96.32 SOMT) 1 Open 96.85 96.32 (Open 96.32 SOME) 1 Open 9	- 7:22 - 8:3 - 8:4 - 5:4 - 5:4 - 5:4 - 5:4 - 5:4 - 5:5 -	4-6 - 4 - 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6	4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.3	- 4,1 - 712 - 713 - 713	8/6 - 1932 81g - 6/2 - 1932 81g - 6/2 - 6/	42	4% 66 6 6 11% 66 6 6 6 6 6 6 6 6 6 6 6 6	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5
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Potenti Rusta VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ	19155 788.07 788.07 788.07 788.07 788.07 789	One year Pate 10.1686 29.747 5.6868 4.5156 5.0143 1.3464 29.772 1.6136 E.27.15 129.341 1.37.316 1.2533 1.2533	2.94 4.10 3.672 3.672 1.8 4.8 -0.1 0.5 1.8 -0.1 0.5 1.8 -0.1 0.5 1.8 -0.1 0.3 -4.4 -2.7 -2.7 -2.7 -2.7 -2.7 -2.7 -2.7	1 - 2,980 2 - 455,09 3 - 455,09 1 - 157,29 105,9 107,9 108,9 103,8 65,6 73,7 107,9 107,9 107,8 98,0 98,2 81,6 82,9 -	French Frence Portuguese Es Spanish Peset Starting Swass Franc Can. Dotter LIS Doller Izeglan Lira Ven Asian SSing Short territ rates W THATESE MA Mar Jun Sep Dec M THATESE M Mar Jun Sep Dec M THATESE M Mar Jun Sep Dec	C. 84 813 813 813 813 813 813 813 813 813 813	- 782 - 854 - 154 - 554 - 554 - 912 - 31 - 15 - 15	4-3-4-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-	42 8 84 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	- 4,	8/6 - 783 8-12 - 184 8-12 - 184 8-13 - 6-14 11 - 1-14 5-14 - 5-14 10 - 98 10 -	42 - 43 - 44 - 45 - 45 - 45 - 45 - 45 - 45	4% 8% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6%	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5
Potenti Russia VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ	19155 7847 7847 7847 7847 7847 7847 7847 78	One ye Fate 10.1686 29.747 5.6868 4.5156 5.0143 1.4464 25.0458 1625.84 25.156 1625.84 1.1662 1.15182 1.2583	2342 47100 3272 3272 3272 3272 444 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	1 - 2590 1 - 455609 1 - 1572 P Morpholindex 105.9 107.9 108.9 109.8 65.6 73.7 108.9 107.8 107.8 107.8 107.8 107.8 107.8 107.8 108.9 109.8	French Frence Portuguese Es Spanish Peset Starting Sevies Franc Can. Dotter US Dotter US Dotter US Dotter Us Dotter Us Dotter Us Song Short tents rate W THERESE IN Mar Jun Sep Dec II THERESE IN Mar Jun Sep Dec III THERESE IN Mar Jun Sep Dec	C. 84 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	- 7:23 - 8:3 - 8:4 - 1:4 - 5:4 - 5:4 - 1:5 -	4-3-4-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-6-	42 42 42 42 43 43 43 43 43 43 43 43 43 43 43 43 43	- 4, - 7, - 7, - 7, - 7, - 7, - 7, - 7,	8/6 - 7/33 8/2 - 7/33 8/2 - 6/3 8/3 - 6/3 8/3 - 6/3 8/3 - 6/3 8/4 - 5/3 8/4 - 6/3 8/4	42 - 43 - 44 - 45 - 45 - 45 - 45 - 45 - 45	4% 8% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6%	5/6 - 5/2 5/6 - 5/2 5/6 - 5/2 5/6 - 5/2 5/6 - 5/2 5/7 - 5/2 57.966 47.084 Open int 182638 192221 161864 Open int 36108 33431 18549 12768
Potenti Rusta VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ VAZ	19155 7847 7847 7847 7847 7847 7847 7847 78	One ye Fate 10.1686 29.747 5.6868 4.5156 5.0143 1.4464 25.0458 1625.84 25.156 1625.84 1.1662 1.15182 1.2583	2342 47100 3272 3272 3272 3272 444 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	1 - 2,980 2 - 455,09 3 - 455,09 1 - 157,29 105,9 107,9 108,9 103,8 65,6 73,7 107,9 107,9 107,8 98,0 98,2 81,6 82,9 -	French Frence Portuguese Es Spanish Peset Starting Sevies Franc Can. Dotter US Dotter US Dotter US Dotter Us Dotter Us Dotter Us Song Short tents rate W THERESE IN Mar Jun Sep Dec II THERESE IN Mar Jun Sep Dec III THERESE IN Mar Jun Sep Dec	C. 84 813 813 813 813 813 813 813 813 813 813	- 782 - 854 - 154 - 554 - 554 - 912 - 31 - 15 - 15	4-3-4-8-8-8-8-8-8-8-8-8-8-8-8-8-8-8-8-8-	42 8 84 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	- 4,	8/6 - 783 8-12 - 184 8-12 - 184 8-13 - 6-14 11 - 1-14 5-14 - 5-14 10 - 98 10 -	42 - 43 - 45 - 45 - 45 - 45 - 45 - 45 - 45	4% 8% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6%	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5

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THE SECURITIES AND FUTURES AUTHORITY "Rolling Spot Forex" Business

As of today (March 1st 1996), firms offering "rolling spot forex" dealing services should have applied for authorisation under the Financial Services Act.

A message for investors

- ♦ If you are a customer of one of these firms you can check if it has applied for authorisation by calling SFA's Information Line on 01426 944403.
- If the firm you are dealing with is not included in that Information Line you should contact the Securities and Investments Board on 0171 638 1240 immediately.
- ♦ The Information Line will be updated once applications have been processed.

♦ Until authorisation is granted you will not enjoy the protections offered by the Financial Services Act, such as the investors compensation scheme.

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Republic of the **Philippines**

US\$5,313,000 Series 1992 A Floating rate bonds 2010

at 6.0625% per annum for the period 1 March 1996 to 3 September 1996. Interest payable on 3 September 1996 per US\$1,000 note will amount to US\$31.32.

Agent: Morgan Guaranty Trust Company **JPMorgan**

CENTRALE NUCLEARE
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GUARANTEED FLOATING
RATE NOTES 1998
SIN CODE: XS0075046068 For the period February 29, 1996 to May 29, 1996 the new rate has been fixed at 4,49609 % P.A. Next payment date:
May 29, 1996
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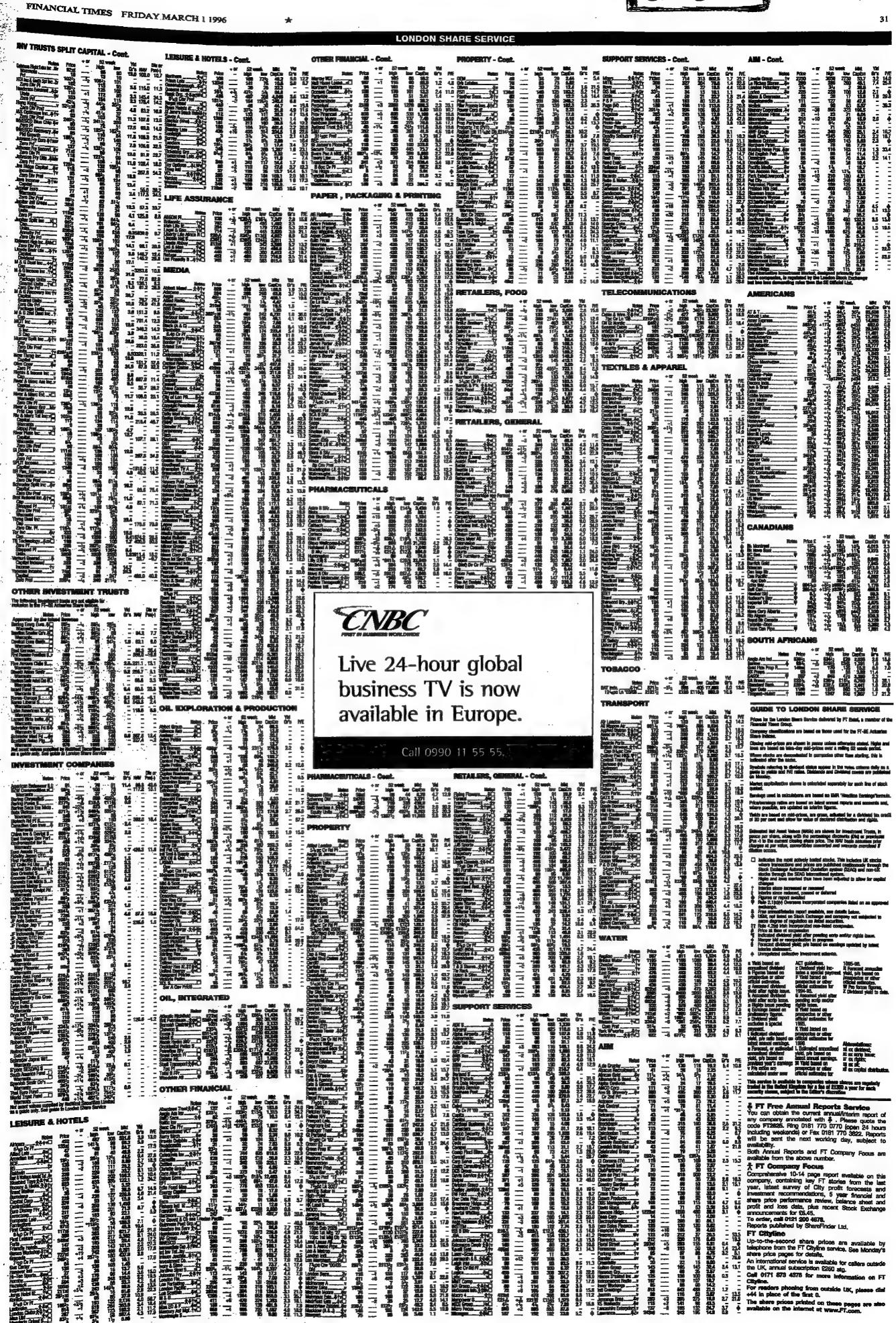
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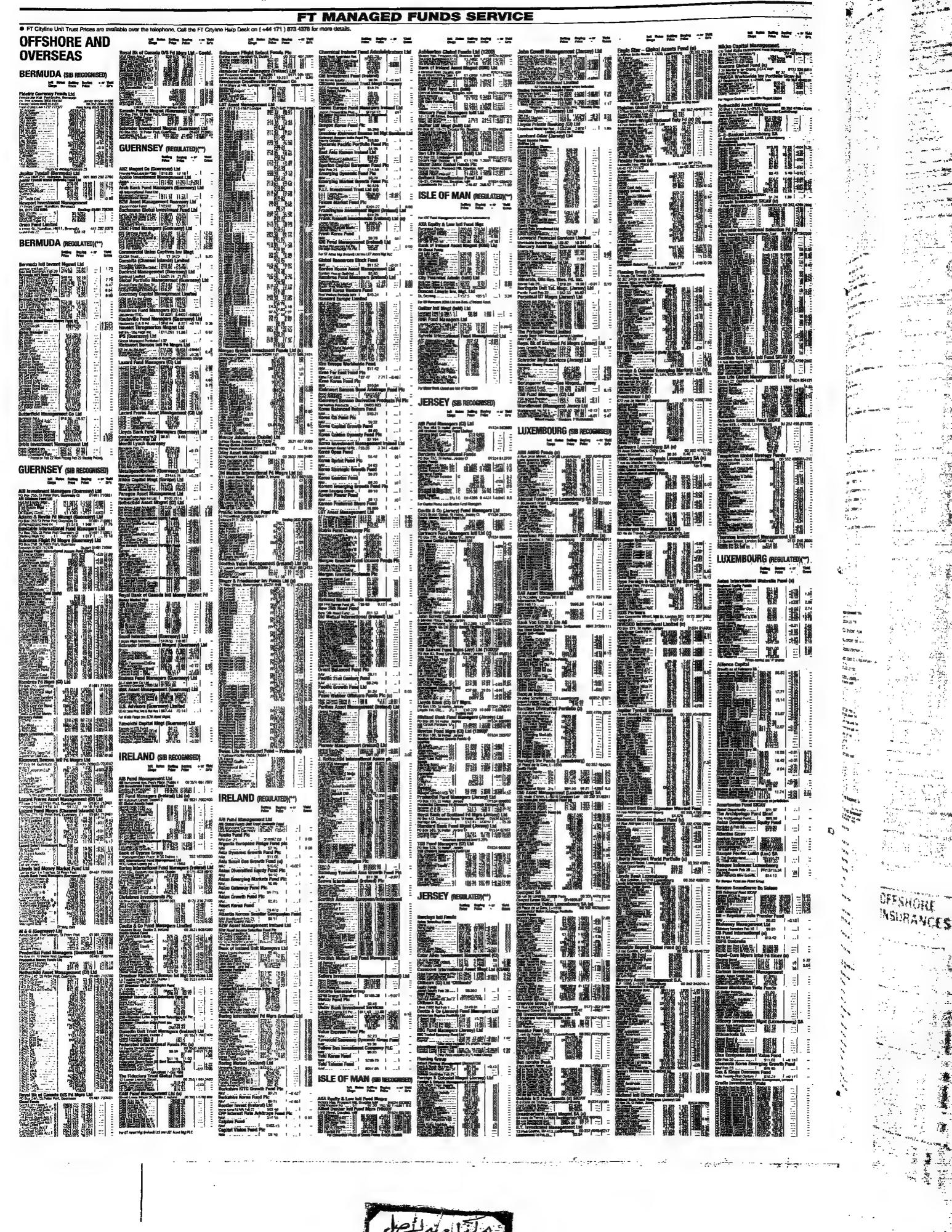
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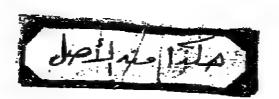
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The share prices printed on these pages are also available on the internet at warw.FT.com.





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LONDON STOCK EXCHANGE

Erratic Wall Street trends unsettle equities

Extreme volatility in Treasury bonds and stocks on Wall Street, both overnight and at the start of trading in US markets yesterday, continued to unnerve UK shares, which fell sharply before closing well above the day's lows.

Wall Street's latest bout of erratic behaviour came in the wake of a low Chicago Purchasing Management's index of 44.9, against a consensus estimate of above 50.

The news saw US Treasury bonds, which gave a disappointing performance overnight amid conflicting economic data, recover from early

losses of around a full point, before easing again. Markets also reacted with disappointment as German interest rates were left unchanged after the Bundesbank meeting. The Dow Jones Industrial Aver-

age, which triggered its circuit breakers for the sixth consecutive session overnight, initially fell away yesterday, rallied strongly and then resumed its downward trend after London closed.

The FT-SE 100 index was left nursing a 10.6 decline at 3.727.6. while the second line index, the FT-SE Mid 250, was never anything like as weak, eventually ending the day only 0.5 off at 4,215.0.

Once again, it was the hint of

prospective takeover bids just around the corner that helped the mid-cap stocks. Trafalgar House shares climbed another 3 per cent after reports that Kvaerner, of Norway, would probably launch a bid for the troubled UK conglomerate next week. There were also suggestions that the long awaited bid for one of the few remaining regional electricity stocks was imminent.

Marketmakers were at odds over the short term outlook for London. One leading trader said Wall Street's yo-yo trend in the past week or so could see investors finally lose their nerve and lock in the big profits they have built up in recent months. "If Wall Street cracks, then so does Europe, taking London with it," he added. Another adopted the view that London had performed resolutely in

the face of the latest turbulence across the Atlantic and was only dragged down by the extreme weakness in the futures market. "The cash wanted to go better, but was always struggling against the future," he said. He felt that London would attract solid support at 3,700 on the FT-SE 100 but would come under pressure at 3,760.

Takeover talk was again rife and Lasmo. Ladbroke and Cadbury Schweppes continued to attract the attention of speculators

But the day's feature was

all-time high after confirmation of the downstream deal with Mobil, of the US. Specialists said the move would bring big benefits to both participants and would leave Shell trailing in the rationalisation stakes. Burmah Castrol also suffered amid perceptions it would face sharply increased competition in the European lubricants market

Activity held up well in the face of the Footsie's disappointing performance. Turnover at 6pm came in at 768.1m shares, with non-FT-SE 100 stocks accounting for 55 per cent of the total. Retail busines Wednesday was valued at £1.8bn.



Hotel sale lifts Granada

Home entertainment and hotels company Granada Group topped the list of the market's best Footsie performers after ABN Amro Hoare Govett reiterated its buy

stance on the stock. The broker also highlighted positive comment in the trade press which suggested that there was a growing list of potential buyers of some of the leading hotels acquired after Granada won its takeover bid for Forte in January.

Those reports were boosted by yesterday's sale of the Park Lane Hotel to ITT Sheraton Corporation, of the US, in a £44.6m deal. Analysts said this put a valuation floor of £140,000 a room on a prestige London hotel.

Shares in the group have been under a cloud in recent sessions on fears that the IRA bombing campaign in London will drive down tourist traffic, thus hitting hotel earnings.

They jumped 19 to 727p, after Mr Andrew Hunter at Hoare pointed to growing confidence in the Northern Ireland peace

Supermarkets slip

Food retailers braced themselves for a new round of profits downgrades after brokers reduced estimates at Kwik Save vesterday.

Kleinwort Benson lowered its profits forecasts for the year casualty was perceived to be

to August 1996 by £10m to £95m and NatWest Securities downgraded its figure for the same period by £Sm to £102m. Analysts at Kleinwort said:

The cost of matching promotion campaigns, especially against J. Sainsbury, has had a damaging effect on Kwik However, it was fear that

margin pressures are continuing across the sector which cast a shadow on other retailers. While Kwik Save shares surrendered 4 to 465p, falls were also seen in Sainsbury, 5 lighter at 376p, Iceland Group, which finished 2 lighter at 147p, Argyll Group, which surrendered 6 to 295p, and Tesco,

21/2 easier at 2631/2p. One analyst said: "If Kwik Save is hurting, it is a sure thing that the rest are hurting too. It looks like downgrades are on the way."

BP boosted

News that BP is to merge its European fuels and lubricant operations with Mobil, of the US, sent the shares up 101/4 to

5391/2p on turnover of 19m. The move is expected to achieve joint savings of up to \$500m in five years and put pressure on some of the other oil majors.

Mr Steve Brann of Kleinwort Benson said: "It's very good news for BP and shows management's continuous desire to drive up the rate of return." Even SGST's Mr John Toalster, traditionally one of the

analysts most negative about decision as "a bold and adventurous move". On the flip side, the main

ANNOUNCING

THAT MEANS

BUSINESS IN

TITANIUM.

Burmah Castrol, which saw its share price tumble 39 to 1051p, the biggest slide in the Footsie There was concern that it might come under pressure from a more focused lubricants operation.

However, Burmah shares have risen very strongly over the past few weeks and a Burmah spokesman said: "We are untroubled. Our markets are about quality rather than quantity." Shell Transport fell 51/2 to 844p.

Lasmo, the exploration and production company, dipped 4 to 184p in spite of revealing a return to profits with full-year figures at the top of the range analysts' forecasts. The shares have risen 25p over the past fortnight and for some dealers the move has been too

Hanson shares responded well to news that the initial public offering of Suburban Propane, a recently formed "master limited partnership", had been priced at \$20.50 per expectations, but analysts said recent initial offerings had slipped in price. One specialist added that the news showed Hanson's demerger plans were on track. The shares hardened 234 to 1883/p.

Transport leader British Afrways stayed firm against the trend, adding 31/2 at 5091/2p. However, some analysts sounded a note of caution ahead of next Tuesday's traffic figures given that February had to contend with savagely bad weather and the end of the IRA ceasefire.

Turnover in casinos and hotels operator Stakis jumped to 22m, its highest ever daily total on record, with a delayed trade from Monday's session. recorded yesterday, accounting for a large part of the volume. A leading broker was said to have gone into the market late

FINANCIAL TIMES FOURY INDICES

	Feb 29	Feb 28	Feb 27	Feb 26	Feb 23	Yr ago	"High	"Low
Ordinary Share	2758.4	2756.2	2745.7	2738.0	2760.6	2312.5	2788.2	2238.3
Ord. drv. yield	3 58	3.88	3.90	3.91	3.88	4.55	4,73	3.76
P/E ratio net	16.78	16.80	16.46	16.40	16.14	16.59	21.23	15.35
P/E ratio nii	16.55	16.56	16.25	15.18	15.93	16.12	22.21	15,17
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To the holders of A shares in Tele Danmark A/S

Notice of the redemption of A shares

Pursuant to Sections 8 and 8a of the Act No 501 of 22 June 1995 to Regulate Certain Aspects of the Telecommunications Sector, the right to redeem all privately held A shares in Tele Danmark A/S will be exercised with effect from 1 March 1997.

in that connection notice is hereby given concerning the redemption of all privately held A shares in Tele Danmark A/S with effect from 1 March 1997. The A shares will be redeemed at a price of DKK 125 per share, free of charge for the shareholders.

The private holders of A shares will receive dividend for 1996 and proportional dividend for two months of 1997 in accordance with the resolutions passed at the Annual General meetings of Tele Danmark A/S to be held in 1997 and 1998.

Copenhagen, 29 February 1996

Ministry of Research and Information Technology

CITICORP MORTGAGE SECURITIES, INC.

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By combining the resources of our organisations, we will be able to bring you the highest quality titanium produced from the most advanced lechnology and provide the best customer service.

REMIC Pass-Through Certificates, Series 1987-13 US\$57,057,000 Initial Stated Amount of Class A-1 Citicertificates

For the period 1st March, 1996 to 1st June, 1996 the Class A-I Cincertificates will carry an interest rate of 6.0625% per annum with an Interest amount of US\$1.39 per US\$1.000 (the Initial Stated Amount of an individual Citicertificate) payable on is June, 1996. The Stated Amount of the Citicertificates outstanding will be 9,21669627% of the Initial Stated Amount of the Citicertificates, or US\$92.17 per individual Citicertificate until 1st June, 1996.

Banca Nazionale del Lavoro - Singapore Branch -Yen 7,300,000,000 5.3 per cent.

Currency Linked Depositary Receipts due 1996

in accordance with clause 4 (A) of the Conditions of the abovereferenced loan, notice is hereby given that the redemption amount payable on March 4, 1996 has been fixed by Nomura Bank Inter-

Bank • Lat YEN 572,286 per

Kredietbank Luxembourg

Taiwan Kolin Co., Ltd. Important in Tarean each loaned bability) Notice to the Holders of the outs

Yen 4,000,000,000 2.875 per cent. Notes due 2000

Taiwan Kolin Co., Ltd. (the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Notes that, as a result of the type by the Company of 19.171.868 shares of its Common Stock to of the issue by the Company of 19,171,800 states or its Common Stock to halders of its Common Stock by way of a bonus issue such issue having been submitted to and approved at a general meeting of its shareholders on 19th April, 1995. As a result, the existing Conversion Price has, pursuant to the provisions of the Trust Deed constructing the Nores, been adjusted from NT \$28.77 to NT \$27.14 with effect from 28th July, 1995.

Taiwan Kolin Co., Ltd. lst March, 1996

THE TOP OPPORTUNITIES SECTION

For senior management positions. For information please contact:

Robert Hunt +44 0171 873 4095

on Monday and acquired a large block of shares ahead of formances among motor distributors.

day's publication of a positive Home Office consultative paper on the gaming industry. The buyer was said to have buyer was said to have paid 106p, well above the then prevailing market price.

The shares moved strongly ahead the following day on the positive news and a general shortage of stock, recording They remained in demand yesterday and closed just a halfpenny off at 100p.

Yorkshire Electricity tumped 12 to 754p as bid speculation returned to the sector. Dealers said the Yorkshire share register showed big buying recently by Merrill Lynch and Bear Stearns, of the US. Secondly, one US trade publication has apparently quoted the president of Southern, of the US, as pinpointing the takeover potential of both Yorkshire and Midlands, up 4 to 394p.

Zeneca bucked the trend among the pharmaceuticals leaders, rising 7 to 1257p.

Merrill Lynch argued that although Zeneca is trading at a premium to the other UK leaders, the company has a better drugs pipeline and its shares are trading at a substantial dis-

SmithKline Beecham bounced from earlier lows after announcing a big restructuring programme in Europe. The shares, off 13 at one stage, recovered to close 5 off at 696p. Celltech, the biotechnology group, rose 5 to 509p on positive reports about a new let

Vodafone, hit lately

news of a small bus acquisition sparked a number of perky pe

FUTURES AND OPTIONS Cowie led the FT-SE Mid 250

rankings with a rise of 11 to 323p in 1.1m traded. Caffyns gained 15 at 260p. Henlys put on 14 at 573p and Dixon Motors rose 13 to 185p.

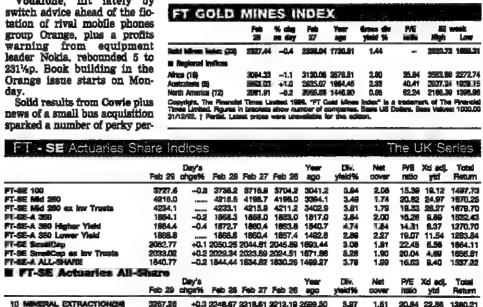
Top conglomerate Tomkins came off sharply, in above average turnover, as technical worries plus a negative broker note sapped sentiment. The shares retreated 5 to 264p in turnover of 7.8m, the heaviest volume so far this year

UBS was a touch negative in targeting Tomkins' break-up value at 254p, but the main problem for the shares was said to be suggestions that the £1.4bn purchase of Gates Rubber, of the US, could involve heavier earnings dilution than initially expected.

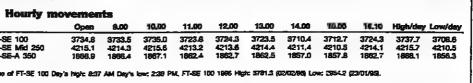
Trafalgar House, in bid talks with Kvaerner, of Norway, regained 11/2 to 47/4p in another very strong two-way pull, with 23m shares changing hands.

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20 GEN INDUSTRIALS(276)	2059.45	+0.1 20	58.112	2048,95	2044.72	1791.42	1.03	1.88	16,52	2.20	1107.00	- 1
21 Building & Construction(34)	1085.25	+0.4 10	81.35 1	1071.62	1071.27	915.36	3.73	2.02	16.58	1.16	885.08	- 1
22 Building Matts & Mercha(29)	1901,99					1667.08	3.94	2.03	16.63		844.24	- 1
												- 1
23 Chemicals(23)	2624,97					2137.39	3.95	2.02	15.62	1.34	1176,46	- 1
24 Diversified Industrials(21)	1774.60	+0.3 17	68.85 1	1763.23	1750.23	1778.31	6.56	1.44	15.32	3.32	972.09	- 1
25 Bectronic & Elect Equip(38)	2351.99	-0.5 23	88,01 2	2303.04	23778.33	1565.51	3.08	1,84	22,16	2.04	1207.74	- [
26 Engineering(71)	2318.85				2307.62		3.24	2.50	16,78		1390.14	- 1
												1
27 Engineering, Vehicles(13)	2629.07				2623.46		3,90	1.28	25.47		1340.58	ì
26 Paper, Pckg & Printing(26)	2710.29	-0.1 27	14.33 2	2000.67	2686.53	2780.32	5,69	2.53	13.39	0.51	1111,93	н
29 Timmes & Apparel(15)	1506.22	+0.2 15	03.77 1	1494,11	1495.97	1430.61	4.62	1.75	15,49	2.51	904.89	-1
30 CONSUMER GOODS(81)	3594.56	-0.5 56	06.24 3	4501 NY	N988.65	海紅莓	3.84	1.74	18.66	11.87	1308.56	
32 Alcoholic Beverages(9)	BBJ1.28	-0.6 28	19.54	794.00	2767.28	2560.93	4.34	1,67		28.48	1001.24	
33 Food Producers(23)	2538.60				2519.90		4.29					П.
								1.70	17.05	4.04	1127.89	T
34 Household Goods(15)	2528.59					2510.72	3.78	2.15	75.41	1.96	250.09	- 1
36 Health Care(20)	1945.75	+0.4 19	38.81 1	1932.82	1929,73	1615.11	2.63	1.76	26.89	2.08	1169.47	-1
37 Pharmaceuticals(13)	5076.42	-0.4 50	97.48 5	5112.05	5109.09	3557.55	3.26	1.69	22.68	12.95	1600.72	-
36 Tobacco(1)	4841.11				4815,70		4.95	1.94	13.02	0.00		- 1
60 Ignerrofil	707111	-9.5 -0	14.104	I/ JUAN	40 10.10	المحدد المحدد	1.00	1-879	10302	0.00	1171.21	- 1
40 SERVICES(253)	2321.57	-0.2 23	25.31.2	320.22	2312.60	1843.53	3.00	2,10	19.65	13.04	1196.47	- 1
41 Distributors(32)	2620,41				2602.60		3.72	1.B3	18.33		062.71	- 1
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42 Lesure & Hotels(23)	2937.58				2055.67		2.83	2.09			1002.25	
43 Media(46)	5820,78	-0.3 38	40.97 3	845.95	3822.24	2728.98	2.20	L13	ES.00	11/69	1374.00	1
44 Retailers, Food(15)	1854.90	-1.2 18	77.50 1	879.02	1878.07	1783,71	3.94	2.41	73.19	2.85	7163.20	
45 Retzilers, General(43)	1905.89				1904,86		3.11	2.23	18.00	5.57	1078.08	
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47 Broweries, Pubs & Rest.(24)	2995.45				2965.62		3.30	2.08		15.62	1428.28	1
48 Support Services(49)	2106.71				2098.38		2.28	2.52	21.71	2.88	1328.86	1
49 Transport(21)	2308.55	23	07.59 2	304.26	2287.49	2157,49	3.75	1,39	23.92	3.84	949.64	ī
									_			1
60 UTIL(TIES(83)	2451.37				2448.07		5.06	2.07			1037,00	-
82 Electricity(12)	2771.44	-0.3 27	80.44 2	2770.18	2767,34	2418.19	5.01	2.60	9.60	105.57	1341.74	1
64 Gas Distribution(2)	1581,85				1573,49		T.87	1.37		0.00	793.64	ı
68 Telecommunications(7)	2017.32				2012.72		4.19					1
								1.77	16.89	0.15	913,16	
88 Water(12)	2064.10	0.8 20	DJ.76 2	071_23	2074.21	1/53.38	8.01	2.60	5.14	3.61	1779.34	1
69 NON-FINANCIALS(867)	1944,59	_0119	+6 88 ·	938 79	1935.14	1820.04	3.82	1.89	17.30	9.67		1
					_						1457.57	1
70 FINANCIAL STOR	2936.56	-0.5 29	52,63 2	120.15	2904.62	2147.41	3.97	2.30	13.61	17.83	1247.70	i
71 Banks, Retail(8)	4157,57				4087.74		3.72	2.83			1345.57	1
												1
72 Banks, Menchant(6)	3532.68				3497.53		2.64	2,41		0.00	1107.40	
73 Ineurance(24)	1419.76				1418.70		5,44	2.84	7.83	235	1042.26	
74 Life Assurance(6)	3547.42				3528.10		3.93	1.53	20.76	0.00	1445,22	
77 Other Financial(23)	2533.52				2538.94		3.59	1.87	18.20	1.06	1421.12	
79 Property(41)	1451.27				1449.14		4.31	1,31	22.23	2.64		
12 1 Inhaitheri	140127							1,423	تحت	204	881.72	1
80 INVESTMENT TRUSTS(126)	3126.23	-0.3 310	34.57 3	120.77	3120.18	2502.00	2.16	1,04	55.73	9,95	1085.33	1
89 FT-SE-A ALL-SHARE(901)	1940.77	-0.2 18	14.44 1	831.62	1830.26	1489.27	3.78	1.69	16.63	9,40	1537,22	П
ET DE A Gadella a	1153.90	.00	:2 CO -	140.00	1150.08	061.44	2.94	2.21	19.20	8.10		
FT-SE-A Fledgling											1195.34	
FT-SE-A Fledgling ex Inv Trusts	1154.90	+0.2 113	22.41 1	150.30	1150.14	960.84	3.22	2.39	15 30	3.26	1195.64	1
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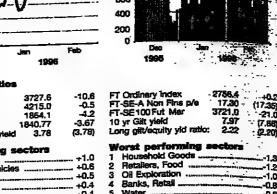


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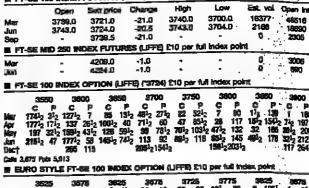
Additional information on the FT-SE Actuaries Share Indices is published in Saturday Issues.

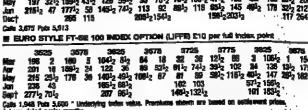
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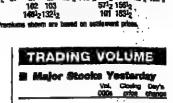
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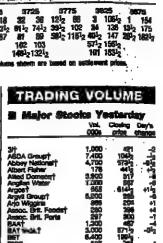
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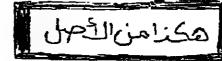
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america **US** equities volatile at midsession

mean analysts' estimate of 46

cents a share. LSI, which trades on the NYSE, tumbled

\$8 or 22 per cent to \$28%. On

the Nasdaq, Lam Research fell

\$1% to \$37%. Applied Materials

was \$2% lower at \$36% and

But Internet access providers

managed a modest rebound

yesterday after falling sharply earlier this week following

AT&T's announcement that it

would offer Internet access.

Netcom On-Line Communica-

tions, which fell \$7% on Tues-

day and Wednesday, rallied

floated yesterday on the NYSE,

climbed to \$28%, up \$4% from

their offer price. Although the early price talk was for the

shares to be sold for \$19 to \$22.

the shares were priced late on

The Gap slipped \$% to \$53%

on profit-taking after the retailer reported fourth-quarter

earnings of \$1.08 per share, 6 cents ahead of analysts' esti-

mates. Shares in the company

had risen more than \$5 since last Wednesday as investors

Toronto was weak at midses

sion, trailing Wall Street on

the last day that domestic

investors were permitted to

invest pension fund money in

stocks as a retirement tax shel-

ter. The TSE 300 composite

index was 20.53 weaker by

noon at 4,926.70 in volume of

Aber Resources jumped C\$2

anticipated strong results.

Canada

44.4m shares.

try's ADRs.

Shares in Revion, which was

\$21/4 to \$22%.

Wednesday at \$24.

Cyrix dropped \$1% to \$23%.

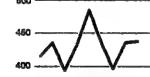
Wall Street

Blue chip shares tracked a volatile bond market in the early part of yesterday's session. while technology shares slid on worries about the semiconductor sector, writes Lisa Bransten

Both the Dow Jones Industrial Average and the Standard & Poor's 500 opened weaker as a drop in initial claims for unemployment benefits sent the long bond sharply lower. Later, however, both indices climbed into positive territory as the bond market staged a brief recovery, only to retreat as bonds resumed their slide. By 1 pm, the Dow was off 14.05 at 5,492.13, the Stan-

MARE AO(MIN

Daily (million)



Average daily volume 1993 \$45,135,000

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dard & Poor's 500 had fallen 2.63 to 642.07 and the American Stock Exchange composite was 3.50 weaker at 563.16. New York SE volume was 274m

Meanwhile, technology shares were lower after LSI Logic - a chip manufacturer warned that its first-quarter earnings would be below analysts' estimates. In early trading the Nasdaq composite was 6.61 lower at 1,100.94 and the Pacific Stock Exchange technology index off 1.3 per cent.

Late on Wednesday, LSI said it expected first-quarter profits of 32 to 35 cents a share, about 10 cents a share below the days of gains.

São Paulo off 4%

The region's equity markets lowed the decline in the countook fright from a rise in US bonds. At midsession SAO PAULO had fallen 4 per cent in the Bovespa index which was listed ADRs: Telefonica and down 2.114 at 49.879. Telecom tumbled 6.8 per cent

Brokers said there were also domestic considerations overhanging sentiment, not least a scandal involving Banco Nacional, which foiled last year.

ings. The Merval index relin-

BUENOS AIRES was also sharply lower in midday dealquished 18.61 or 3.6 per cent at 497.31. Traders said this fall fol-

S Africa falls prey to rumours

Johannesburg finished mixed after a day in which trading was initially subdued by unfounded rumours that President Nelson Mandela had suffered a heart attack, before activity picked up in apparent celebration of South Africa's victory over Pakistan in the World Cup cricket series.

Gold shares opened firmer on a rejuvenated bullion price, but industrials were weak in reaction to Wall Street's overnight performance.

Analysts noted, however.

need to rise above \$401 before gold shares would regain their confidence.

Most of the biggest Merval

losses were in stocks with

and 5.5 per cent respectively.

while Banco de Galicia shed 5.9

MEXICO CITY broke down

through the 2,830 support level and at midday the IPC index

was off 44.88 or 1.6 per cent at

2,817.71. Dealers said the mar-

ket has support at 2,800 and

further support at 2,730.

The overall index edged 2.1 higher to 6,705.4, industrials dropped 34.9 to 8,307.1 and golds gained 56.7 at 1,786.1. De Beers was steady at R123, Liberty declined R1.25 to R20, Dries was up R2.25 to R58.50, Vaal Reefs climbed R15 to R380, Western Areas put on

R2 at R65.50 and Implats rose R3 to R70. Among the losers, Iscor fell 12 cents to R3.28 and Sappi dipped 25 cents to R47.50.

Asea, Brown Boveri lose Wednesday's appeal

Analysts trimmed forecasts for the ABB engineering group, and investors in Swedish and Swiss equities took profits in the constituents. Asea fell SKr19 to SKr678 in STOCK-HOLM, which retreated from the all-time highs established

on Tuesday and Wednesday. Profit-taking here hit both shares, and the forestry sector. too, was pulled back by 1.4 per cent after its 10 per cent advance over the previous week. Among front line blue chips. Astra, the drugs maker, shed SKr6.50 to SKr310: the shares had risen sharply since the announcement of a listing in New York.

The Affärsvärlden General index fell 21.3 or 1.1 per cent to 1,865.4. However, Celsius, the defence and technology group, rose SKr3.50 to SKr185.50 as it announced that it would pay out shares in its Celsius Information Systems subsidiary to shareholders.

ZURICH was a little more mixed, although Brown Boveri, similar to Asea, more than erased Wednesday's sharp rise, giving up SFr39 to SFr1,436 as the SMI index closed 5.7 softer

Balancing items included a SFr60 rise in Swissair to 8 share & Index (rebased) 160

SFr1,155, attributed to a UBS forecast of improved margins and profitability at the airline; Alusuisse, under pressure earlier in the week over its planned capital increase, recouped SFr10 to SFr966; and insurers edged ahead on a growing perception that the sector would outperform the banks, since insurance compa-nies did not have to bear the risk of bad loans.

Aura 1995

FRANKFURT tried early to break 2.500 and set a record intra day high of 2,494.66 in the pre-bourse, losing it as bunds and futures came back and after the Bundesbank kept key

just 1 77 lower at 2 485.18.

excellent set of 1995 results

in Van Ommeren, the shipping

the fourth quarter of 1995 saw

interest rates unchanged. How-ever, the dollar held above DM1.47 and the Dax index recovered from 2,470.85 to close

Turnover rose from DM9.9bn to DM10bn. Volkswagen and Thyssen liked the higher dollar and rose DM9 to DM563.60 and DM5.65 to DM283.35 respectively. However, in engineers, the troubled Deutsche Babcock slid another DM3 to DM94.

West German orders falling by 8 per cent. Strabag Bau, which earlier this week saw earnings hit by restructuring costs in 1995 and forecast better operating results this year, did not like this and fell a further DM9

from ABN Amro, which helped to edge the AEX index up 0.42 to 513.22. ABN's 14 per cent rise in 1995 profits and a higher earnings estimate for the current year left the shares Fl 2.10 ahead at Fl 76.50.

and tank storage group, up Fl 4 to Fl 56.40 following its 1995 earnings report and forecasts for another good run in 1996.

Building industry data for

to DM196.

AMSTERDAM featured an

There was more satisfaction

DSM. however, had an

FT-SE Actuaries Share Indices 11.00 12.00 13.00 14.00 15.00 Close FT-SE Eurotrack 100 1578.21 1578.19 1577.80 1578.23 1577.64 1574.72 1573.09 1575.00 FT-SE Eurotrack 200 1680.39 1658.25 1658.28 1658.72 1655.88 1656.31 1655.54 1656.68 FT-SE Euroback 100

unhappy session as the chemicals group reported 1995 net profits much in line with estimates, and forecast that 1996 figures would probably not match that level. The stock slipped 60 cents to Fl 153.90.

One of the day's worst performers was Sphinx, the maker of bathroom fittings, which fell Fl 1.70 or 5.8 per cent to Fl 27.80 as the company issued a profits warning for the 1995/96 finan-PARIS found excitement in

Paribas, marking the shares up FFr9.60 or 3.5 per cent to FFr281.60 in reaction to Wednesday's restructuring plans. But investors could find little else to focus on and the CAC-40 index lost 6.12 to 1.990.77. Turnover, at FFr6.4bn. was lifted by the expiry of February options and futures.

Chargeurs, up 12 per cent on Wednesday on its demerger

had gained 65 cents in early

trade on the announcement of

terms for the float of Orange.

chain which resumed trading

founder who had once vehe-

SEOUL eased in hesitant

trade, dampened by rumours

ny's prospects in China.

plans, eased FFr38 to FFr1,300 as profits were booked. Valeo was unchanged at FFr278 as reports circulated that Lucas, of the UK, might buy a stake in

the company.
MILAN recouped early

losses, with comments by Mr

Mario Arcelli, the budget minister, that annual inflation should fall to below 5 per cent in March providing a late fillip. Early weakness was in part attributed to an opinion poll which suggested that support for the caretaker prime minister Mr Lamberto Dini's new centrist force would not be sufficient to ensure victory for the

month's election. The Comit index added 3.58 at 606.81 and the real-time Mibtel index picked up from 9,612 to finish 7 higher at 9,698. Magneti Marelli, the motor

components manufacturer, lost

centre-left coalition in next

L162 to L2.121 after a presenta-tion to analysts in which disappointing growth prospects were outlined. Montedison improved Lio.6 to end at L953.1 on hopes that the company would pay a divithe City

HELSINKI SOW Nobia A flat ten out in late trading after a FM2.50 fall at the official close. The shares ended 50 penni lower at FM158 as the Hex index shed 9.03 to 1,816.40. Forestries gained a fraction on strong results from Kymmene and Repola, which ruse

FM2 to FM127 and FM1 to FM90.90 respectively; but Rauma, the Repola subsidiary, fell FM2 to FM92 on fears that profits might decline this year after doubling in 1995. WARSAW gained 4 per cent

on high turnover but traders foresaw an element of profittaking over the next few sessions. The Wig index rose 397.9 to 11,028.5 as turnover leapt 90 per cent to 184.6m zlotys. Analysts said several of the

larger capitalised stocks were now fairly priced, and they saw interest shifting to smaller second-line companies.

Written and edited by William

ASIA PACIFIC

Nikkei regains 20,000 level as Bombay drops 2.9%

Buying by investment trust funds and technical activity supported share prices. The Nikkel average rose for the first time in three trading days. recovering the 20,000 level. writes Emiko Terazono in

to C\$15% after the diamond The 235 index closed 205.40 higher at 20,125.37 after exploration company announced promising results extremes of 19,902.53 and for its Diavik property in Canada's Northwest Territories. 20,129.16. It lost ground in the morning session on selling by Among weak paper makers, foreign investors, but domestic Stone Consolidated and Atibitiinstitutions placed buying Price each declined C\$% to orders at lower levels, while C\$16 and C\$19 respectively in heavy trade, Fairfax Financial investment trust arms of Nomura Securities purchased Holdings advanced another C\$1 shares. Nomura set up an to C\$133, after a morning's investment trust worth Y100bn high of C\$135, following several on Wednesday and five investment trusts totalling Y130bn

yesterday. Volume totalled 300m shares, against 346.8m. Traders said that increased caution ahead of futures and options settle-ments at the end of next week kept most investors on the

The Topix index of all first section stocks rose 13.24 to 1.580.46 and the Nikkel 300 by 3.01 to 291.37. Advances led declines by 544 to 490 and 158 issues were unchanged.
In London the ISE/Nikkei 50

index eased 0.63 to 1,356.21. Semiconductor-related stocks gained ground following the strength in the sector on Wall Street overnight. Tokyo Electron, a manufacturer of semiconductor equipment, climbed Y70 to Y4,220 on reports that its recurring profits for the current business year are

likely to rise by 2.4 times. Advantest, a semiconductor testing device maker, added Y130 at Y5,900 and Toshiba Ceramics Y40 at Y1,110. Other

high-technology issues were also higher. Green Cross, the blood products maker, which lost ground for five consecutive trading days due to its involvement in the sales of tainted blood prod-

ered Y25 to Y575. Bank shares, recently battered on concerns about the parliamentary negotiations

ucts to haemophiliacs, recov-

the country's ailing jusen, or housing loan companies, rallled. Daiwa Bank put on Y18 at Y710 following its decision to accept part of the charges filed by US prosecutors over its involvement in the bond trading scam in New York. Industrial Bank of Japan improved Y30 to Y2,670 and Dai-Ichi Kangyo Bank Y80 to Y1.970. In Osaka, the OSE average firmed 18.23 to 21,588.17 in vol-

ume of 128.8m shares.

Nervous, speculative selling left BOMBAY down 2.9 per cent after a special court issued non-bailable arrest warrants against 10 political leaders, including some former senior ministers, allegedly involved in a bribery scandal The BSE-30 index tumbled 102.10 to 3,391.99.

Analysts said speculative selling was beavy in indexlinked shares, while domestic investment funds became selective buyers in some blue chips in the B-group. Reliance dropped Rs12.50 to

Rs212.75, SBI Rs11 to Rs241, Tisco Rs11.75 to Rs194.50. **KUALA LUMPUR was** broadly firmer, boosted by speculative demand for second liners, but Repco continued to

tumble on reports that the stock was under official investigation. Repco added to Wednesday's M\$7.50 fall with another of M\$5.25 to M\$71.75 after the national news agency said the Securities Commission had launched an investigation into

share price. The composite index gained 7.45 at 1.084.41 and the second board index jumped 2.2 per cent to 399.92.

alleged manipulation of the

One recent second board gainer, Super Enterprise, rose M\$2.50 to M\$22.50 before being suspended at the company's request for a news announcement. Takeover talk had boosted the company's shares. HONG KONG fell 1.2 per

cent, mainly on worries about Wall Street's volatility and Sino-US trade tensions. The Hang Seng index dived

Repco Holdings Share price (MS) 100 ~

138.97 to 11,125.68. Turnover rose to a moderate HK\$6.5bn, with hedge funds said to be among the big sellers. Across the board losses Board declined to confirm

that the government was investigating cases of stock price manipulation. The composite index lost 2.38 at 852.83. The Securities Supervisory among major blue chips saw whether the rumour was true.

Hutchison, in particular, reversing a sharp early rise to end 60 cents off at HK\$49. It limit-up, rising Won700 to Won13,600 on a rumour, subsequently denied, that the Hyundai Group was seeking to take over the company. SYDNEY moved higher on

Soosan Heavy Industry went

its British mobile phone group. Glordano, the casual wear hopes that the Conservative opposition would be victorious in tomorrow's general election. The All Ordinaries index after a suspension, jumped 30 cents to HK\$8.25 on news that advanced 24.8 to 2,290.0. Vol-Jimmy Lai, the group's ume was 352m shares worth mently criticised Li Peng, the Chinese premier, had sold all his shares, boosting the compa-

JAKARTA finished sharply lower in increased trading volume as foreign investors sold large-capitalisation stocks. The composite index fell 10.06 or 1.7 per cent to 585.20. Turnover was Rp315.5bn.

Astra International's domestic shares shed Rp200 or 6.5 per cent to Rp2,875 after the government said it was to grant tax exemptions to another.

Putra Nasional. The foreign stock lost Rp525 or 12 per cent to Rp3,850 in volume of 2.67m.

WELLINGTON was weaker. although an afternoon recov ery in the telephone utility Telecom halped to offset the effects of a sharp fall in the price of Fletcher Challenge, the forestry conglomerate. The NZSE-40 capital index lost 8.94 to 2.141.08 in NZ\$56m turnover.

Fletcher Challenge receded 19 cents to NZ\$3.41, surrendering Wednesday's 16-cent rise which followed the company's first-half results. Telecom finished unchanged at NZ\$3.66 after an initial decline.

COLOMBO rose for the sec ond consecutive session as foreign investors, in particular, looked for selected blue chips. The All-share index rose 4.1 to 671.0 in SLRs36m turnover.

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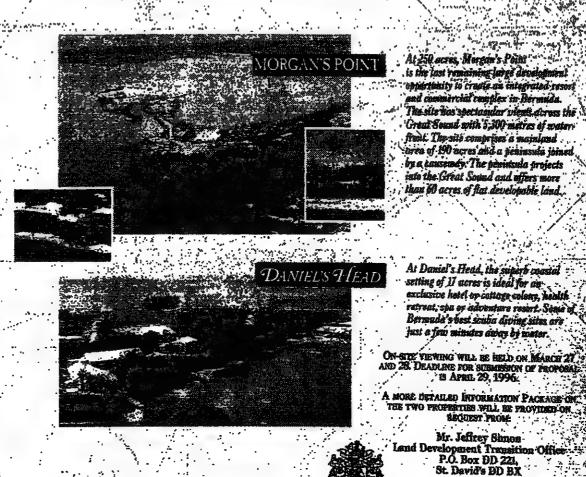
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FT/S&P ACTUARIES WORLD INDICES

REGIONAL MARKETS			SDAY PE	YRAURE	20 1996 -		_	TUESDAY PEBRUARY 27 1996				H	DOILLES BIDEX		
Figures in parentheess US	Day's	Pound			Local	Local	Gross	US	Pound			Local			Year
show number of lines Dollar	Change	Starling	Yon	DМ	Currency	% chg	Div.	Dollar	Sterling	Yen	DM	Currency	52 week i	52 week	ago
of stock Index	%	Index	Index	Index	Index	on day	Yletd	Index	index.	index	index	index	High	CON	(approx)
Australia (81),	me	191.51	130.85	150.68	172.92	0.4	3 90	198.62	189.42	123.60	148.50	172.29	200.32	158.79	164.95
Austria (26) 188.77	-0.3	102.30	124.56	143.42	143.26	0.3	1.60	189.34	182.41	125.07	142.03	7<285	139,28	168.11	185.46
Bolgum (34)	0.3	205.24	140.23	161.46	157.23	6.0	3.35	211.82	204.06	139.92	159.98	156.06	215.81	172.88	173.06
Grazil (28)	0.9	157.28	107.47	123.74	294.74	2.0	1.57	161,39	155.48	106.61	121.90	282.23	170.25	86.06	128.91
Canada (101)	-0.4	148.56	101/50	116.87	153.33	-0.2	2.45	154,49		102.06	116,69	153.71	158.71	125,64	128,35
Denmark (33)	-0.3	293.15	200.30	230.62	233.06	0.2	1.61	304.53	293.38	201.17	230.01	232.65	305.17	252.41	262.71
Finland (24) 182.57	-2.1	176.22	120.47	138.71	173.04	-19	1.89	186.54	179.71	123.23	140.89	176.42	276.11	171.13	182.64
France (99) 190 67	0.8	184.14	125.82	144.87	149.84	1.1	1.70	189.25	180.32	125.02	142.94	148,15	191,17	161.53	181,80
Cormany (60)173.42	0.4	167.48	114.43	131,78	131.76	1.0	1.05	172.67	166.34	114.06	130.41	130.41	170.42	142.25	149.93
Hong Kong (58)438.63	0.5	423.51	289.37	333.18	135.30	0.5	1.27	436.50	42D 52	288.35	329.58	433.28	451.19	323.87	340.43
Ireland (16)	-0.1	250.17	170.93	196.81	231.08	0.3	3.42	259.38	249.66	171.33	195.89	230.45	262,70	205.44	215.75
Italy (59)	2.4	73.99	80.85	58.21	88.52	2.0	1.70	74.83	72.09	49.43	56.52	86.57	82.71	65.45	72.87
Jacan (482)149.12	-0.4	143.01	98.40	113.30	98 40	-0.5	0.78	149 66	144.18	98.86	113.04	98.86	184.82	137.58	140.05
Malaysia (107)	-0.1	501,85	342.75	354.65	509.37	-0.1	1.05	519.71	500.68	M3.31	392.53	509.86	581,06	425,77	487.98
Merdop (18) 1105 04	-2.4	1097.19	729.17	839,56	9118,80	-2,3	1.52	1132.43	1090.96	748.07	855.31	9335.56	1237.14	647.81	822.66
Netherland (19)281.23	0.7	271,60	185.57	213.67	209.82	1.2	3.24	279.20	268.98	184,44	210.88	207.32	283,23	225.09	225.09
New Zealand (13) 81.63	0.3	78.83	53,88	62.02	64.72	0.9	4.50	81.35	78,37	63,74	61.44	64,12	85,49	72.39	73.38
Norway (33)	-1.3	228.82	158.35	180.02	205.02	-0.7	2.26	239.96	231.49	150.53	181.25	206.54	243.79	202.78	212.26
Singapore (44)	-0.5	122.08	295.22	339.92	291,14	-0.2	1.38	449 €3	423,17	297.02	339.60	291.81	465.21	346,10	354,75
South Africa (45)	0.1	383.64	252.13	301.81	331.16	-0.2	3.12	397.02	382.48	262.27	299,87	331.88	437.76	303.93	303,93
Spain (37)	0.7	169.88	116.06	133,63	163,93	1.3	3,65	174.58	168.29	115.39	131,94	101,94	175,88	124,10	132.63
Sweden (47)	0.3	330.82	228,04	260.26	340.05	0.7	2.21	341.41	328.90	225.53	257.88	337,81	342.56	232.23	240.20
Switzerland (39)232.52	O.T	224.85	153,63	176.89	171.91	1.2	1,55	231.15	222.69	152.70	174.59	169.53	239.55	171.94	172.11
Thailand (45)179.56	_1.Q	173.41	118,48	138.42	175.56	-1.0	2.00	181.39	174.75	119.82	137.00	177 <i>.2</i> 7	193.95	130.15	147.95
United Kingdom (205)231.78	0.3	223.84	152.04	178.10	223.84	0.6	4.07	231 04	222.58	152.62	174.50	222.58	235.50	192.74	192.74
USA (631) 263.69	-0.3	254.86	174.00	200.34	263.59	-0.3	2.19	264.43	254.76	174.56	199.72	364.43	269.11	197.20	199.57
Americas (778)240.50	-0.3	232.26	156.60	182.72	202,20	-0.3	2.19	241.20	202.37	159.33	182.18	202.78	245,54	180.00	182.85
Europe (730)206.61	0.5	199.53	136.33	155.97	177.81	0.9	3.00	205.54	198.01	135.78	155.24	176.01	208.67	100.03	170.49
Nordic (137)	-0.3	283.69	193.84	223.18	252.90	0.1	2.07	294.51	253.73	194,55	222,44	252.62	295.02	222,22	230.81
Pacific Basin (832)162.68	-0.2	157.11	107.35	123.60	170.59	-0.3	1.20	163.08	157.09	107.71	123.16	110,26	171.07	146.97	149.26
Euro-Pecific (1562)180.89	0.1	174.69	119.36	137.43	135.95	0.3	2.08	180 96	174.04	119.34	138.45	135.60	183.39	1574	158.01
North America (732)258.91	-0.3	248.11	169.52	195/19	256.31	-0.3	2.20	257.65	248.21	170.20	194.60	257.03	262.26	192,77	195.25
Europe Ex. UK (525)187.97	0.6	181.54	124.04	142.81	151.33	5.1	2.41	188.79	179 95	123.39	141 08	149.68	187.37	152.92	154.45
Pacific Ex. Japan (350) 287.38	0.3	277.54	189 63	218.34	251,47	0.2	2.94	265.49	275.96	189.25	216.38	290.90	292.69	229.25	238.25
World Ex. US (1754)182.30	0.1	176.05	120.29	108 90	140,18	0.2	2.08	182.11	175.44	120.30	137.55	139.67	164.71	157.80	158.39
World Ex. UK (2180)205.00	-0.1	197.98	135.27	155.75	170.96	-0.1	1.94	205.21 239.37	197.69 230.60	135.56	154.99	171,04	207.64	167.83	168.70
World Ex. Japan (1903)239.43	0.0	231,25	157,99	181.91	225.14	0.1	2.53	239.27	230.60	158.12	180.79	224.81	242.17	187.55	188.75
The World Index (2385)207.39	-0.1	200.28	136.85	157.56	175.73	0.0	2.13	207.52	199 92	137.08	155.74	175.72	209.73	170.18	170.82

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INTERNATIONAL REPO MARKETS

The new kid in the City

Philip Gawith and Richard Lapper discuss the rapid growth of repo which now has annual purchases of \$7,300bn

If you believe the more enthusiastic advocates for repos, they appear to be a solution to everything from the common cold to heartache. It is claimed that they offer improved returns to investors, cheaper financing to borrowers

and greater security to lenders. But even if the claims can sometimes sound a little extravagant, there can be no denying the increasingly central role which repo - sale and repurchase agreements where one party sells a security to mother, and simultaneously agrees to buy it back at a later date - is playing in modern capital markets

Ms Christine Brown-Quinn, head of repo marketing at SBC Warburg in London, says: Repo is the greese that makes the wheels go round."

Within banks, the repo desk is connected to cash traders, who want to know the cost of financing, to the fixed income sales force, who use it as a means of offering enhanced yields and cheaper financing to costomers, and to proprietary trading and options deaks, for whom it serves as a source of financing and hedging.

Repo had its roots in the US. where investment banks, without ready access to a deposit base, had an incentive to develop a repo market to finance their bond holdings. US companies and institutions were also willing counterparties, ready to diversify investment of their surplus cash beyond the deposit and commercial paper markets into

US markets goes back 80 years, the international repo market is only about 10 years old. But in that time it has experienced. impressive growth, to the point where it is now one of the world's largest financial markets. Figures from Greenwich Associates, based on a survey of European and Middle Eastern investors, show net repo purchases to have risen from \$1,208hn in 1993 to \$3,541hn in

This rise has been fuelled by such factors as rapid growth in government debt issuance, central bank use of repo for open market operations and the growing number of counterparties becoming involved in the market. The big US investment banks which first turned to repos as a means of financing their boldings of bonds in the 1970s, are still prominent participants. But they are being joined in the market by European and Japanese banks, such as Deutsche Mor-gan Grenfell, UBS, SBC Warburg, Nomura and National

The US still accounts for more than 70 per cent of trades, with an estimated \$1,000bn outstanding in 1994. However business elsewhere. especially in Europe, is growing. The off-shore D-Mark repo market, for example, is estimated to total some DM150hn, and is growing at around 20 per cent per annum. And repo transactions are now being conducted in more currencies. with an increasing range of bonds - including emerging market debt - used as collat-

"The market is getting big-ger and more diversified," says James Tomkinson, head of repo products at Nomura in London. "As new entrants come into the repo market, the Although repo in domestic result is that longer-term players are looking for new oppor-

The most recent, and substantial, fillip to the repo market came with the British sovernment's decision at the start of the year to open its bond

1994 and \$7,300bn last year.

open. This is expected to improve liquidity in the gilts markets, with beneficial spinoffs for the government's cost Japan is also taking measures to develop a new repo market, scheduled for launch in April, which will bring its existing markets more into line with international practice.

The growth of the UK market has been hampered by documentation and settlement problems. And institutions which lend government bonds have been slow to take part in the market, partially because they are reluctant to manage the cash collateral. Even so there are some early signs that volumes are beginning to pick

A heightened awareness of the risks inherent in unsecured lending has also boosted the cause of the repo market. The collapse of Barings bank in

market to repos. Previously the February 1995 was a salutary Bank of England had restricted experience for many. "All of a the institutions which could sudden people have become a lot less complacent about unseborrow and lend government bonds. Now the market is cured loans to banks," says Mick Chadwick, bead of repo at UBS. The affair has "acted as a catalyst in accelerating

the desire of institutions to act

in a collateralised environ-

Another factor has been the introduction in early January of the capital adequacy directive (CAD) to the European Union. This clarified rules governing the amount of capital that banks registered in the EU must set aside against credit risks linked to repo. Less capital must be set aside against repos than against unsecured loans, so banks can make more efficient use of their capital by

ment." he adds.

lending out money on repos than they can on an unsecured It has not, however, been one-way traffic. Episodes such as the losses suffered by Orange County, California. have tarnished repo in the eyes

of some, though defenders of

repo are quick to point out that in that instance it was a misrepo, which caused losses.

What such events, and the launch of the gilts repo mar-ket, have made clear, is that education is the biggest marketing challenge facing banks. "Education is where most of my time is spent - getting over the hump of misconceptions. says Ms Brown-Quinn of SBC Warburg. "The products are very simple, but there is so much jargon involved that it totally confuses the customer.'

The largest users of repo are commercial and investment banks, followed by central banks. But if the growth of recent years is to be continued, then banks will need increasingly to encourage customers to use repo. The UK experience is that an increasing number of companies, pension funds, asset managers and insurance companies are using repo,

Dealers are now nushing to

among European corporate clients, partially by stressing the advantages of tri-party repo, in which the collateral is held by an independent custodian. (In

Europe Euroclear, Bank of New York and Cedel play this "Unless you are a corporate with a reasonable amount of cash the operational hassles of setting up repo facilities may not justify the effort involved." says Mr Chadwick of UBS. Triparty repo helps because it allows corporates to invest money in repo without having

> difficulties of managing the colleteral. Although the repo market is in some ways a young one, there are already signs of maturity. These are most apparent in the US domestic market, where the low returns, with competition expected to curb spreads further, has led to talk of consolidation in the market.

to cope with the administrative

Banks have responded to these challenges by seeking promote greater interest out new products and markets

which offer better returns. Theoretically, it is possible to repo any security. In prac-

tice, the repo market in government bonds outweighs that in other securities. This is because government bond issues are the largest and offer superior liquidity. But instruments such as corporate bonds. Brady bonds, certificates of deposit and mortgage-backed securities can also be repoed. Over the past year to 18

months, the fastest-growing sector of the international repo market has been the market in sub-investment grade paper issued by emerging market countries. Most activity has been focused on Latin American debt, but the focus is now broadening to encompass countries in central and eastern

The combination of growth in these emerging markets, and a steady shift in favour of collateralised lending in countries such as the UK. Germany and Japan, should ensure that the onward march of repo con-

IN THIS SURVEY

A guide to repos Troubled road to reform UK; traders are starting to

 Germany; domestic market is struggling Repos and regulation

 US: consolidation on the cards France: more liquid than Loridon Japan: move to create a new market

 Equity repo Profiles: NetWest and Mick Chadwick of UBS

Tri-party repo Repo systems

Editorial productions Roy Terry **Hustration:** Devid Bromley Cartoone; Roger Beale

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4.4

A GUIDE TO REPOS by Richard Lapper

larifying a complicated subject

What are Repos? Repo is short for "repurchase". In effect, it means a sale and repurchase agreement. It is a contract to sell securities for cash and then to buy them back at an agreed future date and price

That sounds complicated. It is. Although a repo has the legal form of an agreement to buy and sell a security, the two parties to the deal see it, in effect, as a form of borrowing, either borrowing money or borrowing securities, usually bonds.

The party which "borrows" money (the seller) obtains better terms than would normally be obtained if they the security which they "lend" serves as collateral and reduces the impact of potential default.

It is somewhat like going to a pawnbroker and borrowing money against personal valuables

If the borrower goes bankrupt before repaying the loan, the lender retains possession of the collateral partially offsetting their loss in the same way the party lending the bonds also has security - in the form of the

The Treasury is

the driving force

behind the UK's

breathtakingly quickly.

believed to have been

introduction of repos

Once the decision was made to

introduce an open gilts repo

But why did it take so long

market, reform has come

for that decision to be made -

more than six years after most

other European countries

introduced repo in their own

bond markets and 10 years

since Big Bang deregulation

Gilts market changes: by Graham Bowley

City of London?

Some blame the Bank of

England for the delay, some

blame market-makers and

other privileged operators in

the gilts market for resisting

The Bank of England has

made its position clear: the

existing system of stock land-

ing and borrowing worked well

and there was therefore no

need to change it - the "if it

ain't broke, don't fix it" argu-

in addition, the gilts market

was put under severe strain to

the forces of change.

OK, but what is the difference between repo and stock Not much really, except that the counterparty to a stock-lending deal may demand collateral in the form

of securities as well as cash. Even so, according to the NatWest International Handbook on repo "there are between them, whether legally

I WAS DOING JUST FINE IN THE REPO MARKET UNTIL I ACCIDENTALLY FOUND OUT HOW IT ACTUALLY WORKED



Troubled road to reform

likely that over time, the distinctions will become even more blurred."

Nor are there any differences between so-called "buy sell back" agreements commentators sometimes describe as "classic repo", although they can differ significantly in legal form and in their mechanics. Classic repos have more formal documentation attached to

Are there some repos where the collateral is not physically Yes, this is generally to reduce costs. For example,

hold-in-custody repo where the

collateral is simply segregated in the books of the supplier. In safe-keeping repo the collateral is held in a gregated account established in the lender's name at the borrower's clearing bank or at a depository. In tri-party repo collateral is held by an independent third party.

How long do repo agreements

Classic repos rarely are agreed for terms greater than one the term of the agreement is

tor borrowing requirement has

declined and as other repo

ability, has the Bank felt com-

fortable in turning again to

But others assign a greater

role to HM Treasury as the

driving force behind the

Gilts were hit particularly

hard by the 1994 bear market.

The sharp rise in gilt yields -

at a time when the Treasury

was attempting to make cost

savings across the whole of Whitehall – suddenly made it

very clear to the UK govern-

structural change.

when the UK moved into large fallen, as the UK's public sec-

budget deficit in the early

1990s. This was then exacer-

bated by the worldwide bear

market of 1994 Which pushed

Furthermore, repos were

seen as a risk. They had gained

a bad name following a spate

of highly publicised problems

in the US repo market in the

early 1980s. At the time of Big

Bang the Bank of England

decided it was easier to super-

vise stock lending by insisting

that brokers were used rather

than introducing a fully liber-

Only now, as yields have

alised repo market.

bond yields sharply higher.

not fixed in advance but simply rolled over automatically on a daily basis.

How are returns worked out? The repo rate is the agreed rate of interest on the cash extended. Accrued interest reverts to the original owner of the bond but the repo rate takes into account the coupon and yield on the bond. Usually the repo rate is lower than the interest rate on the bond. The lender of the cash makes a return based on the reporate, the lender of the bond makes a return based on the bond return less the amount made

What are repos used for? In the international markets they have several uses. For securities firms it represents a relatively cheap way of financing purchases of bonds. Unlike hanks, securities firms do not have easy access to the inter-bank markets, where banks lend money to each

Repo allows them to reduce their costs because the rate at which finance is available through a repo is cheaper than would otherwise be the case. Typically, a securities firm uses repo by borrowing money from a repo dealer to buy

bonds which it then deposits with the same dealer to fulfil its part of the agreement. At the same time repos allow dealers to lend money in a way which is similar to placing money on deposit with a bank, although in this case they have the additional security of holding a bond as

In a sense the development

of repo increases the range of

collateral

short-term money market investments. Investing money in a repo can generate a better return than other short-term money market instruments. such as a Treasury Bill, because the investor runs the risk that the institution which has promised to buy the bond back may collapse and that the price of the bond may drop in the meantime. Money market funds, which have developed extensively in the US and France, where repo is most mature, make extensive use of the repo market for this

purpose.
Finally, bond dealers and Institutions can borrow bonds through repo agreements to meet short-term trading needs In the bond markets, dealers frequently take short positions (sell bonds they do not own). when they feel prices are likely to fall.



Una van Dorssen: "There is an extra kicker on repo'

UK: by Richard Lapper Traders are starting to catch on

Institutions are showing interest as business begins to grow from a fairly low base

Since its launch earlier this year, the open market in gilt repos has been sluggish. But business is beginning to grow, with dealers and traders ecoming more accustomed to the new trading techniques. Documentation and settlement problems are still hampering transactions but there are early signs that institutions are beginning to use the mar-

"It has been a slow start because it has taken a number of players time to sort out technical problems such as systems and legal agreements," says Philip Shaw, group economist at Union Discount. "It now appears that the amount of business is growing. It is not phenomenal growth, but it is trickling up."

The new repo market represents the latest phase of a reform programme developed by the Treesury and the Bank of England, designed to increase the efficiency and liquidity of the UK gilts man ket, bringing its practices into line with those of other large international government bond markets such as the US and

Earlier stages of the reform have seen moves by the Bank to introduce bigger and more liquid benchmark issues of gilts, with regular auctions and to provide the market with regular notice of its funding intentions. Last year the Bank launched a market in gilt strips, where the coupon and the principal of bonds are stripped and traded separately. All these changes have been designed to make the market more user-friendly and increase the attractions of gilts to investors, especially from overseas. Ultimately, it is hoped that the extra liquidity will reduce the discount at

which UK debt trades and cut

the government's funding Repos should help this process further by making it easier for traders to borrow bonds, allowing them to take short positions. Until the introduction of gilt repo, only the allowed to borrow bonds while stock exchange monetary brokers conducted lending the repo market introduces another way for dealers and traders to finance long positions and could eventually reduce costs. Hitherto, dealers had been largely dependent on the money brokers for their

Early repo trading has been hampered by a number of factors. Industry-wide documentation was not available until November, and an important annex to the agreement which covers detailed issues such as variation margin must be negotiated bilaterally between dealers and each counterparty. There have also been a number of systems difficulties. As well as accommodating repo. banks and dealers have had to amend their back office systems to bring them into line with the European Union's capital adequacy direc-tive (CAD), which imposes heavy new capital require-

One dealer estimated that up to 90 per cent of firms had experienced problems with their systems.

However, repo volumes are now beginning to grow. "In the second week of January volumes were 50 per cent higher

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than in the first, and in the third week double that of the second, but it is all from a very low base," says Stephen Ward head of gilts repo at Prebon

Figures released by the Bank of England last week show that by the end of January, the gross totals outstanding on banks' balance sheets (includ ing inter-bank transactions) were some £16bn of repos and some £23bn of reverse recos. Many of the gilt-edged mar-

ket makers are active in the repo market and a number of dealers have begun to use it as part of their efforts to play the short-term money market сшув.

to build up 'matched books (borrowing long-term and lending short-term or vice versa). making short-term interest rate plays," says Ms Una van Dorssen, head of repo market ing at NatWest Markets. "There is an extra kicker on repo since the bonds that you borrow might go 'special', providing extra income.

Institutions such as insurance companies and pension funds, which hold gilts and are active players in the stock iending market, have beer slower to move into the mar-

They land out bonds in order to earn extra returns on their bond holdings but do not necessarily welcome the inflow of cash which would result if they were to do this through

The new market is part of a reform programme by the Treasury and the Bank of England

repo arrangements. "Institutions are still sitting on the fence," says one dealer. They do not want to cope

with the cash flows." Nonetheless, some bigge investors do appear to have water. There are two main attractions. First, the added security of placing cash on the repo market means it is less risky than putting it on deposit with a bank, an advantage which was underlined last year by the collapse of Barings

Second, institutions are able to net off their stock and cash lending exposure for balance sheet and capital purposes, a practice permitted under the standard industry guidelines.

Spreads in the repo market have begun to fall. When the market was launched, rates closely followed those available in the inter-bank market. But rates have since fallen several basis points, with parties borrowing bonds, lending cash at a rate of between 2 and 3 hasis bank bid rate (Libid).

That means dealers have been able to raise finance at sub-Libid levels, which represents a considerable saving for some players, especially those banks with credit difficulties which would normally expect a few basis points over Liber for

In addition, the activity has available from standard stock lending agreements. Typically between % and % a point, these have fallen to between 5 and 25 basis points in the pas few weeks, according to deal-

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Forms of repo



roe: Prebon Yamene (baged on a survey bet

ment that it was paying significantly more in debt service costs than many other coun-

Britain's peculiar - some said archaic - gilts market was blamed. In particular, it seemed odd that government bond markets in other countries, including the US, France and Germany, already had well-developed repo facilities. But although London had long been the European centre of non-dollar repo business, the sterling sector had lagged

The Treasury initiated a general review of debt management - under some pressure. from international banks operating in the gilts market - of which the repo was only one

Kenneth Clarke, the UK Chancellor, finally announced the setting-up of the gilts repo market in the November 1994 Budget. At the time he said an open repo facility "should improve both liquidity and efficlency, reducing yields and hence the government's debt interest costs". He calculated that each reduction in yields of one basis point would eventually save more than £25m a year of public expenditure. The yield spread on gilts over French government bonds, for example, has tended to be more than 100 basis points. If this spread could be significantly reduced, it would represent a substantial cost saving.

The Treasury's persistence in pressing on with reform successfully overcame resistance from some gilt-edged marketmakers (Gemms) and other large operators in the gilts

Many industry observers suspect that it was these which held up reforms for so long since they stood to lose most from any change. They wielded a strong influence within the Bank of England and used it to keep in place the existing market arrangements, which for them were hugely profitable. Under the old arrangements

just a few clearing banks dominated the short-term money markets, while stock exchange money brokers (Sembs), discount houses and Gemms enjoyed privileged lending and borrowing arrangements with the Bank of England in return for maintaining liquidity in the gilts market.

The repo market involved scrapping the requirement that stock could only be lent or borrowed through one of the eight Sembs and abolishing the rule restricting the borrowing of gilts to market-makers and discount houses. Gilt repos therefore represented a challenge to the profitability of all these participants.

An open repo market also meant that Gemms would lose their monopoly of the ability to "short" gilts, or sell gilts they do not own when they feel

The Bank feared that some Gemms would pull out of the gilts market if this unique privilege was denied them, threatening a potentially huge loss of liquidity. Without the unique ability to short the market, the costs of being a market-maker - the duty to maintain continually two-way prices, even in falling markets, for example outweighed the benefits for

Since the repo market was first announced, several banks have, indeed questioned the need to be a Gemm and some. such as Yamaichi and Nomura, the Japanese securities houses, and Bankers Trust, the US investment bank, have pulled out of market-making. Société Générale, the French bank, on the other hand, bucked that trend when it became a Gemm in September last year.

But in spite of strong opposi-

tion from some quarters, the gilts repo market generally found favour with the great majority of market participants and finally came into existence on January 2. Banks applauded the way the Bank of England and the Treasury carefully sought out market opinion during a lengthy con-sultation process and how quickly the authorities acted once they had decided to pro-ceed with the innovation. They appreciated the longer-term benefits of a fully liberalised system of lending and borrowing, in terms of the greater volin and increased involvement by overseas investors.

"It took a while coming but now that it has, it has happened very quickly," said Simon Briscoe, UK economist at Nikko Europe. "Very few people at the end of 1994 could have foreseen that within 18 months the market would have changed in the way it has."

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Germany: by Conner Middelmann

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German banks are beginning to recognise the value of collateralised lending -

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Although the offshore market in D-Mark bond repos is one of the biggest in the world, its domestic market is still struggling to get off the ground. Participants blame this on-

several factors. First they cite the reluctance of German banks to engage in repos due to their ability to obtain attractive unsecured loans in the domestic and offshore money markets or from customer deposits.

"Due to balance sheet and capital considerations, Germany's leading banks have yery good credit ratings and there exist between them unutilised interbank credit lines," says Matthew Keller, global head of repo trading at Deut-sche Morgan Grenfell, one of the leading participants in the D-Mark repo market.

"In the past, domestic institutions felt comfortable lending bonds and equities on an uncollateralised basis and booking resulting exposure against interbank limits especially as collateralised repo transactions have proved

expensive and cumbersome for existing sattlement and controlling departments within some banks," he says.

However, amid increasing risk awareness in the banking industry, even the German banks are beginning to recognise the value of collateralised lending dealers say.

Domestic institutions are increasingly interested in reducing their inter-bank exposure and using collateralised money market products, which can reduce exposure and have a positive impact on capital requirements," says Mr Keller. If, for example, a bank exe-

cutes reverse repos in OECD sovereign, government guaranteed or EU supranational paper, a zero-risk weighting applies under the Bank for International Settlements' guidelines With bonds issued by EU

public entities, international development banks and OECD banks, a 20 per cent weighting applies. For non-OECD sovereign issuers, banks and corporates, a 100 per cent weighting is called for. Thus, repos are a lot more capital efficient than inter-bank business, where operators take up to a 100 per cent hit.

Another culprit is seen to be the Bundesbank's minimum-reserve requirement, which

petitive in any transaction that requires them to take a cash

deposit. The rule requires any liability taken by a German bank from a non-bank investor or a foreign bank must be secured by a deposit in a non-interestcarning account at the Bundes-

bank. Thus the German bank is not receiving interest on the whole

> D-Mark repos should not be confused with the Bundesbank's weekly open-market

of the deposit, which means that the rate a German bank can quote its counterpart as a receiver of cash is not competitive with a bank that does not operate under the requirement.

intervention

The Bundesbank has cut the reserve requirement in recent years, and in August lowered it to 2 per cent across the board, from 5 per cent for sight liabilities of up to 31 days and 2 per cent for time liabilities of any-

thing over that period. Still, this has done little to help the repo market, and many dealers hope that in the run-up to European Monetary Union the requirement will be abolished

altogether. "If you're doing an unsecured transaction with a customer, holding a minimum reserve against that risk is laudable," comments a London repo trader. "But when it's a collateralised transaction, the requirement is a bit draco-

nian," he adds. "The trend in the minimum reserve is clearly downwards. and many participants expect that it will eventually be abolished." says Mr Keller. "As and when that happens, it is likely that the bulk of money-marketrelated dealing activity, hith-erto restricted to dealing in London or Luxembourg, will move back onshore."

Simultaneously, he predicts, "it is likely that repos will also shift back towards the domestic environment from a counterparty, booking vehicle and settlement perspective." Incidentally, the D-Mark repos transacted between

banks and other market partictpants should not be confused with the Bundesbank's weekly open-market intervention, also called "repos"

Under this facility, banks

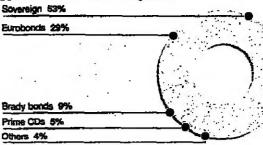
borrow money in return for collateral they deposit with the central bank; the volume of outstanding Bundesbank repos stands at present at around DM130bn.

The Bundesbank uses this facility to control the amount of short-term money in circulation, thereby steering short-term interest rates. The operation has become a key monetary policy tool in recent years and the repo rate is now a more important benchmark of short-term German interest rates than the Bundeshank's

Lombard or discount rates. Another factor that has slowed the growth of a domestic repo market is the reluctance among many German fund managers to get heavily involved in the market partly because they are under little pressure to boost their performance, some say.

"Too many people in Germany are not performance-ori-ented," grumbles a US investment banker. "If they really wanted to maximise their returns, they would get more involved in this market." In addition, he says, prohibitive transaction costs deter many from getting more involved in the repo market. "If you have to pay an 's point for every transaction, you won't do that for long. The cost structure in

Sovereign 53%



Source: Probon Yessene (besed on a survey between May 20 and June 9, 1935, of 94 bank)

encourages fund managers to buy and hold."

Types of instrument repoed

Another deterrent to the development of a liquid domestic repo market is the absence of a legal framework to govern domestic repo transactions. However, spurred by the Association of German Money Market Traders' repo sub-committee, participants are working on a standard agreement that will cover the domestic repo market, based on the PSA/Isma master agreement that governs the London-based repo markets where the bulk of non-dollar

repo business is transacted. Meanwhile, the offshore market has been blossoming. It really got going around 1988, when the London International Financial Futures and Options Exchange (Liffe) launched a German government bond futures contract. This provided the first accessible and liquid

Germany is such that it instrument for the market to hedge D-Mark interest rate products, which resulted in a dramatic increase in banks balance sheets devoted to bond

trading. The explosive growth of the German government debt market following German unification further fuelled the development of the repo market. There are some DM990bn of domestic government securities outstanding that can be used for repos.

Since the market is not closely regulated, no numbers are available about the size and depth of the off-shore D-mark repo market. However, bankers estimate it totals some DM150bn, as compared with the estimated DM30bn domestic market - excluding the Bundesbank's weekly repo operations.

There also exists a small repo market in D-Mark eurobonds, and the last two World Bank D-Mark global issues are particularly actively traded due to a repo market-making facility that was launched in May last year.

The presence of large non-German investment banks with their experience in repo trading made London a logical place to trade D-Mark repos.

There is a clearly defined split of participants operating in the off-shore repo market: the net providers of liquidity usually European commercial banks with huge deposit bases and central banks - and net providers of collateral, mostly investment houses. The former usually put their cash to work by executing so-called reverse repos, where they lend out their cash and receive bonds in return as collateral. The latter either raise cash to fund their long positions, using their bond holdings as collateral, or borrow bonds to cover their short positions.

However, "being a serious operator in the DM repo markets requires more strategy than just investing surplus liquidity or a desire to finance long positions at attractive rates compared with internal or external funding levels." says Mr Keller. "Ideally, a bank or securities house should be able to integrate both elements of liquidity and securities into a fully blown matched-book repo trading operation," he says.

Repos and regulation: by Norma Cohen

Learning lessons from the US

Failures in America during the 1980s concentrated the minds of central bankers 🤃

The absence for so long of a system of repurchase agreements for gilt-edged securities: in the UK can be blamed on events in the US.

In 1985, several small US government securities businesses collapsed while holding millions of dollars of securities under customer repurchase agreements. When the dost settled, it emerged that not only did these companies hold their ď٧ customers' securities, they held the colleteral as well, Still worse, it later emerged that these organisations had offered the same collateral to each of many clients, and then, as a special favour, offered to safekeep it on their behalf.

In exasperation, the Federal Reserve Bank in New York issued a pamphlet entitled "It's 3pm, do you know where your collateral is?

The 1985 affair was not the first significant fiasco involving repurchase agreements in the US. In May 1982, Drysdale Government Securities collapsed, sending shock waves through the US banking system. It had been borrowing US Treasury bonds at a time when

UK regulators have taken steps to avoid US-type failures

interest rates were close to 14 per cent. The collateral that it provided to its counterparties did not include enough to cover the interest which was accruing while the bonds were dreds of millions of dollars.

Later, a government bond firm, Lombard-Wall Securities, collapsed while holding customer securities under a repurchase agreement arrangement. Following legal procedures it emerged that the organisation's customers were not fully protected even though they held collateral against the securities they had loaned to Lombard-Wall. The courts ruled that those which had loaned securities to the organisation ranked no higher than any other secured creditor and that collateral had to be put into a general pot to cover repayments to all other secured creditors.

These shocks to the system in a three-year period concentrated the minds of market participants. They also made a tremendous impression on central bankers around the world not least of which was the Bank of England. The Bank was then implementing significant reforms to its own gilts mar-

However, repurchase agreements, the primary mechanism for financing holdings of US Treasury securities, would not emerge in the UK for another

"The view was only three miracles at a time," said one former Bank official. He explained that the Bank believed that too many innovations at the same time would swamp the market's capabilities. But also, it was the prox-

imity to the problems in the US which deterred us," he said. Bank of England officials were keen to ensure that the UK a repo market would avoid the spectacular failures of the US market.

Fortunately, the Bank has not needed to tinker with the UK regulatory framework. Repo is an activity governed by the Financial Services Act and only those authorised by regulatory bodies are allowed to participate.

. But to ensure that everyone played by the right rules, the Bank has taken three steps. First, it established a working party to draw up a clear legal agreement which, among other things, would address the legal ambiguities which hit Lomhard-Wall's customers 10 years ago. The document is similar to that drawn up in the US by tion and the International Securities Markets Association. However, it differed from the US version by stating that a repurchase agreement was an outright sale and that legal title to the securities actually passed to the borrower. Thus, in the event of a default the lender's collateral is unencumbered because it is treated as the proceeds of a sale rather than as collateral

Next, the Bank established a committee with the International Securities Market Association (ISMA) to ensure that settlement practices were uniform. Third, with ISMA it developed a code of best practice. While it cannot insist that the rules are followed it urges participants to deal only with counterparties which abide by the code of practice.

Parts of the code are straightforward recommendations on general good business practice. For instance, counterparties shall keep each other's names confidential; participants must accept responsibility for the actions of their staff. and, where conflicts of interest cannot be avoided, market professionals should ensure fair treatment for their clients.

In addition, the code stipulates that counterparties should ensure that adequate credit checks are conducted before entering into an agreement, and that participants should ensure that both they and their counterparty clearly understand terms for lending. While these conditions seem patently obvious, it was their absence which helped to create spectacular failures in the US.

Ms Catherine Bennett, head of the repo desk at Salomon Brothers International and head of the ISMA committee which helped draft the code, notes that there are certain recommended practices designed specifically to avoid the conditions that had allowed some US organisations to offer the same collateral to several counterparties, "We have a hold-in-custody rule saying that if you are to allow the borrower of your securities to hold your collateral as well, then the regular know-yourcustomer applies."

The gilts repo market is still too new and too small to know with any certainty that it will avoid the US-type clashes of the last decade. But at least regulators and market participants have highlighted those activities most likely to cause damage and have taken steps to address them.

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Consolidation on the cards

The continued squeeze on margins may lead to a shakeout over the next two years

The US repo market - by far the most mature of any in the world - may be at the start of a period of consolidation. High profile scandals, such as the bankruptcy of Orange County as a result of its treasurer's investment strategies, plus the continued squeeze on margins has caused some participants question whether they should remain in the market. Appetites for more exotic instruments have certainly

been curbed. Lou McCrimlisk, a repo specialist with Salomon Brothers, is dismissive of the "knee-jerk" reaction to the losses at Orange County which induced the market briefly to declare repos an unsafe strategic instrument

"Orange County's losses did not reflect anything inherently wrong with the repo market, but rather Robert Citron's over-leveraged exposure to the highly volatile interest rate sensitive securities that he was financing." says Mr McCrim-

He insists that the market is too important to quit. "A company of Salomon Brothers' size requires access to an efficient source of funding: repos give us this". Other traders agree that the leading US houses will continue to support the market levels of returns available in

market. Lenders are typically looking at less than 50 basis points as their fee for making US Treasury Bills available to borrow-ers. With the Federal Reserve also busy cutting interest rates at present, lenders are making less from investing the typical 102 per cent collateral borrow-

ers put up in a repo contract. One of Mr McCrimlisk's colleagues in New York summed up his views by saying: "Salo-mon may turn away some business rather than cut rates any further but it will stay in the

> Hedge funds are still nervous after the bloodbath in global bond markets in February 1994

Jack Huber, global sales manager for financing sales at Lehman Brothers in New York. believes: "The continued squeeze on margins will lead to a shakeout over the next year. possibly two, but those remaining will find new niches in a market which still has plenty of room to develop."

Judy Mabry, head of Lehman's repo desk in London. echoes his views. "The repo market is highly efficient. which explains the narrow margins," she concedes, "but f

ities. It remains a natural market for hedge funds which must find ways of financing their short positions.

What the hedge funds think is crucial to the future of the repo market. In the mid-1980s only about 100 of them were to be seen in the US repo market. By 1990 their number had risen to 400. Today there could be as many as 4,500.

And some of them are very large indeed. Hedge fund managers, such as George Soros, the Hungarian financier, and Julian Robertson of the Tiger Fund, have sufficient financial muscle to drive the cash market in bonds by their moves in the repo market.

Hedge funds are still nervous after the bloodbath in global bond markets in February 1994 when most misread the direction of currencies and interest rates and their complex derivative strategies, even supported by repo and securities lending buttresses, failed to protect them from painful losses.

Although the hedge funds returned to profit last year, investors no longer believe that managers can devise effective strategies to shield them from losses if they take huge punts on the direction of markets or interest rates, according to London-based Tass Management which monitors the performance of hedge funds worldwide.

Most have adopted more cautious investment strategies. concentrating on securities lending based on individual stocks in which they have per-

a brake on the near vertical growth of the US repo market, dominated as it is by US Trea-

Initially the only acceptable collateral was simple cash. Then T-bills themselves became de riqueur. As investors' sophistication grew and spreads and yields came under pressure, they turned to other forms of commercial paper, such as corporate bonds and even mortgages, as collateral but demanded a premium to compensate for the perceived extra risk of unsecured securi-

The more cautious approach now being adopted by many lenders, is reinforcing a return to greater reliance on T-bills and cash collateral. This may leave some of the fancier recent contracts out in the cold during this conservative phase.

The Orange County backlash has also had another effect. According to Lehman's Mrs Mabry everyone is now scru-tinising their counterparties with extra care and checking that the trades they propos are suitable for that particular

counterparty. When Orange County was forced to renege on its contracts some counterparties found that their bankruptcy protection arrangements excluded bankruptcy of a local authority. It was a salutary les-

This extra scrutiny may be just what the market needs to resume growth if it refocuses attention on the twin virtues of repos as a source of finance: namely, that the funds are dou-



Judy Mabry: "The repo market is highly efficient, which explains the narrow margins"

bly protected by the underlying instrument - sovereign debt - and a good-quality counterparty's desire to maintain its credit rating.

These virtues are the strength of the repo market for both borrower and lender. They are also what makes it so efficient - and consequently low yielding.

High volume is the classic compensation for meagre margins. If the market is in for a period of low growth some will

Japan: by Emiko Terazono

the most vulnerable group. Sucked into the burgeoning market in their droves, competition among them is already

Now they face the extra assaults of less dizzy levels of demand and a squeeze on fees which must be paid for out of the lender's lower interest rate

On top of this they face a further consequence of the repo market's continuing maturation: disintermediation.

Brokers are thought to be Increasingly lenders and borrowers have done business together before and have no need of a broker's introduction.

Disintermediation in turn night reinforce another consolidating factor already apparent in the market: its concentration into fewer and larger Borrowers are aiready turn-

ing just to the most prime covenants as their lender of choice. Before long, some observers have said, the class of lenders will have shrunk to

a self-limiting oligarchy. That time is not yet and it may be permanently averted by the inevitable extra factor. The US repo market may be fully, even over-mature.

But the money market is a truly global one and repo markets elsewhere are just emerg-Lehman's Mr Huber predicts

that Asia, Central and Eastern Europe and even Latin America could become the next repo centres if conditions get too tight in the US market.

France: by Andrew Jack

More liquid than London

Concentrating on government bonds, Paris is now one of Europe's most important centres

Among the success stories of the Paris financial markets in the last few years, the development of repos in France is one of the most impressive. From modest beginnings in the late 1980s, it has rapidly grown into one of the most important centres in Europe.

The idea is simple. As in other markets, treasury bonds, bills and cilts - as well as theoretically other forms of securities - are offered as collateral against cash, and then "repurchased" at a future date for the same sum plus an additional interest payment.

In France, the market is very largely concentrated in government bonds, and most deals are of short duration, with many geared to overnight money market rates and some three-quarters expiring in less than three days.

> The market is concentrated in government bonds, and most deals are of short duration

The country's domestic market has become so large that alone in Europe - it is more liquid than the international cross-border market principally centred in London. Figures show that the vol-

ume of transactions has exploded: from a daily average of FFr300m in 1990 to one of more than FFr45bn in 1994. with the total outstanding FFr1.040bn at the end of 1994. "The market is more liquid

than in other countries," says Ludovic Plas of UBS. "Without any chauvinism. France is the market of reference and technically in advance." Thomas Morand of Crédit Lyonnais says that the market

fluctuates considerably, "A lot of players have been badly

market. They have become a lot more cautious about it." That is one reason why a bank is often very active for a

period of several months, and then may reduce its positions, he says. However, Credit Lyonnais made profits of FFr10m in January alone from the French market, "The repo market is the big market for the future,' The French market began to

develop pragmatically largely from 1987, using conventions under the remeré system, governed by the jurisdiction of a 19th century law which permitted the option to sell and then buy back securities. It operated relatively effectively until 1990, when a German bank decided not to hon

our the buy-back clause - as it was legally entitled to do under the law - hence throwing the market into confusion. A lengthy battle in the courts followed, and the government embarked on defining a series of steps to help clarify the market for the future, cul-

minating in a new law at the end of 1993. The result is the clearly and legally defined pension livrée, under which repo transactions in France are now carried out. It is supported by a compensation system agreed during

summer 1994. Mr Plas says part of the explanation for the size of the French market is that there are no limitations on the size or duration of contracts. There is also a structural factor: the huge amount of business from the substantial French money market funds, which have little choice but to carry out repo operations as part of legal obligations concerning the risk profile of their investments.

He says that the high degree of transparency and liquidity in the market can also pose problems. He highlights the attack on the French franc during the European monetary crisis in 1993.

"You can sell repos with no constraints," he says. "Non-residents mobilised very important sums."

Equally, he says the lure of business in Paris has led to rising competition from market makers, which has belped considerably to cut margins. "It was the first market in Europe, and became à la mode," he beaten by the volatility of the says.

The Financial Times plans to publish a Survey on

Uruguay

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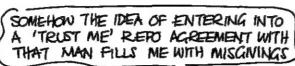
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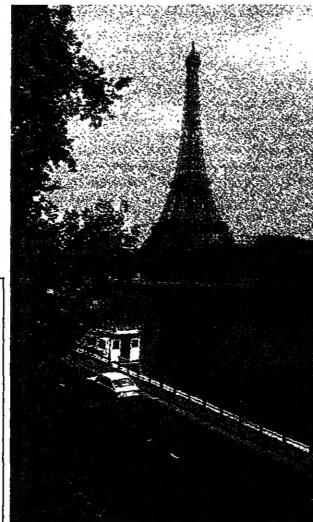
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Uses for repo



Move to create a new market

The missing links in the Japanese financial system are likely to be in place by April

Japan's finance community is scrambling to piece together a framework for a new bond repurchase agreement market due to be launched in April which could handle an estimated Y210,000bn (\$1,981bp)in outstanding government

The need for more risk-free bond settlements and a repurchase market increased in the wake of the collarse of Barings, which had borrowed a Japanese banks. The Bank of Japan is also looking for ways to diversify its money market operations.

The country's bond traders deal in two markets which are in effect similar to the western repo market. One is the gensaki market, which is an overthe-counter repo market in that borrowing is effected by selling a bond for a fixed period of time with an agreement to buy the bond back at a specified price.

The borrowers in the market are bond dealers at banks and other financial institutions who use the market to finance their positions, while the main lenders are businesses and investment trusts which need to invest their cash. The Bank of Japan also uses the gensuki market as a means of controlling liquidity in the money

The gensalci market used to be important as the leading market in which interest rates were set freely without the control of the Bank of Japan, but the liberalisation of other money markets has lessened

The Bank of Japan is seeking ways to diversify money market operations

its significance.
The downside to the market is also that the borrower of securities cannot specify which bond is wanted, making the gensaki a general collateral market. The *gensaki* transac-tions are also subject to a securities transaction tax, which the seller of a bond - in this case both the borrower and the

lender - is required to pay.

The second type of transaction through which bonds are borrowed and lent, is the bond borrowing, or taishaku market. Although it is also loosely called the repo market, it is different from a "real" repo market in western terms since only a fee is paid to use the bond rather than the borrower exchanging money equivalent to the value of the bonds.

This is a result of the limited settlement dates of the Japanese government bond market. where bonds are settled on the 5th, 10th, 15th, 20th, 25th and 30th of each month. Settling of

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takes seven to 11 business days after the actual deal is made. Since the borrowing and return of a bond is likely to be finished before the settlement date arrives, the borrower simply pays the lender a fee for the bond. Because the bond borrower does not pay for the bond, the transaction is exempt from the securities transaction tax.

Although lending can take place either against cash collateral or unsecured, most transactions done directly with lenders are unsecured. While this has minimised back-office work for the lenders, it has increased the lender's risk.

When Barings collapsed last year, the banks and institutions which had lent bonds to its Japanese arm for a fee faced losses. Although the banks were reimbursed, there were calls for a more efficient and risk-free settlement system. In a related move, bond mar-

line with the Eurobond mar-

likely to be a combination of the gensaki and the bond borrowing markets. Like the oensaki, it is likely to involve an exchange of money approximately equivalent to the value

tion will not legally be a sale of the hond, a transaction tax will not be required. The lender receives a lending fee when the bonds are returned.

Analysts expect the liquidity and the size of the new repo market to result in the Bank of Japan using it for its money market operations. Rates of participating in the new market are likely to be cheaper than in the gensaki market due to the lack of transaction taxes, and since the rates are quoted as interest rates as opposed to a lending fee, the rates will be comparable with

arbitrage easier.

ket participants want the settlement period shortened in ket, where transactions are set-Many bond market partici-

pants applaud the creation of the new repo market. "It will put in the missing links in the market and place the Japanese government bond market in line with world practices," says Marshall Gittler, bond analyst at Merrill Lynch in Tokyo. He points out that a more efficient repo market will allow easier which helps to reduce anomalies in bond prices. The new repo market is

of the bonds. However, since the transac

the new repo market by bond holders who want to avoid paying the securities transaction

other market rates making One concern the authorities have is the fraudulent use of

The ministry of finance had

initially required borrowers in the bond borrowing market to pay a fee of over 100 basis points over the overnight call rate in order to prevent such

However, this has been abolished recently since 100 basis points is unrealistically high at a time of record low interest rates. The ministry says it has yet to find a method to prevent illegal use by such market operators.

Repo and reverse repo REPO REVERSE Trade date Value date Termination da Bund 7.5% 11/11/D Dirty price (rou

In this classic repo, Bank agrees to deliver to Securities House DM11.04m cash in exchange for collateral in the form of DM10m of a 7.5 per cent coupon Bund maturing November 11, 2004 with accrued interest of DM43,958. The cash amount reflects the market value of the collateral, and a return on the repo monies at a rate of 4.5 per cent per annum will be paid to the cash supplier, On value date, Bank pays DM11.04m to Securities House, which in turn transfers Bunds with a nominal value of DM10m to

The next business day, Bank returns the Bunds to Securities House and Securities House repays to Bank the original cash amount of DM11.04m plus one day's return on that cash at the agreed repo rate of 4.5 per cent per annum. The return is

DM11.04m x 4.5/100 x 1/360 = DM1,380

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Equity repo: by Brian Bollen

Baby with a big future

This money market on a bond, partly because the instrument is still in its infancy, but could offer a good risk-reward ratio

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التوريشية والأراب المراويين 17/07/2004

Could equity repo be the next dig money market instrument? Akhoogh it is still very much in its infancy and could take time to become a household concept, some say this new kid on the financial block could well offer the best risk-reward ratio over the next few years. With London as the hub of

activity, equity repo is picking ap a head of steam worldwide.
It's a major education process," says Mark Harrison, an executive director at Morgan Stanley in London, "but the US houses are looking to finance their inventory, and this develops into a financing business in its own right."

Equity repo represents snother step in the market's journey along the collateral quality spectrum, from US Treasury bonds, through European sovereign and eurobond repo, to Brady bonds and triparty structures. Such progress has been driven partly by the liberalisation of markets, partly by the constant desire to develop new premium-priced products and partly by the drive to make as many assets as possible pay their way. There are strong indications that after taking into account all the constraints and caveats, market professionals in the UK have decided to grasp the nettle and do their best to establish a viable equity repo market within the existing legal and fiscal framework.

In most important respects, equity repo is identical to fixed income repo. On one side are firms such as Goldman Sachs, Lehman Brothers, Morgan Stanley, Salomon Brothers and Merrill Lynch seeking to finance their long equity positions. On the other side are cash-rich investors, for whom equity repo offers a higher yield for lower risk using a straightforward mechanism; the collateral aspect means business can be done with a wider range of counterparties who might not qualify under normal credit criteria.

There are a number of fiscal, philosophical and practical reasons why repo is only now It is very easy to do a repo with equity.

■ While bonds do not in the main experience corporate actions, equities are quite frequently subject to stock splitting, rights issues or other events which can affect the original value dramatically. Equities are intrinsically less liquid and more volatile than bonds (which results in bigger haircuts . the amount by which the market value of securities repoed exceeds the cash amount involved than in fixed income repo). Narrow spreads mean it can often be cheaper and easier to

UK market professionals are trying to establish a viable equity repo market within the existing framework

borrow a stock than to repo it. Problems arise, too, from anti tax-avoidance legislation which was originally written for other purposes. UK tax legislation - designed to prevent dividend washing, for example makes it very unfavourable to repo an equity over the dividend date. In an extreme case, argue bankers, dividends could end up being taxed twice. The convention of the market. unless otherwise agreed, is thus to call equities back over the dividend date. This severely reduces the flexibility of the equity repo product and

its strategic possibilities. "It's not a pair of handcuffs. but it's like putting a couple of rocks in your pocket," says Joseph McManus, an executive director at Goldman Sachs International. "It slows you

. Even the very term equity repo is in dispute, being seen. as something of a generic term for equity financing, "The finachieve the same net effect."

At this early stage - equity cash flows are known in repo as a product has been advance; this is not the case around for little more than a year or two - there are vast differences in volume between it and fixed income rep: deal tickets are smaller and terms are shorter. Deals also tend to be more opportunistic than in fixed income. "There's a lot of talk, but not much action," remarks Brian Dry, head of securities lending at Royal Bank of Scotland, "A big trade in equity can be a small ticket in fixed income," says Mr McManus.

> The greater diversity and volatility of the underlying collateral are also, it has to be admitted, something of a negative. "If you had the choice between AAA-rated government bond collateral and unrated corporate collateral which would you choose?" asks Mr McManus. "The strength of the credit and the typically higher yield over traditional money market instru-ments are what clinch the argument." he continues, answering his own question.

> Other factors hindering the development of the equity repo market include the lack of standardised documentation. Repo documentation is for securities paying interest on a eross basis, not dividends on a net basis, so you have a documentation issue straight away," says Rod Barr, manager of Salomon Brothers' securities lending desk in London, "You have to have your own, and that can take months."

> Standardised documentation is essential for repo, a high-volume low-margin business. "We don't want to repeat the early days of securities lending when everyone was using different documents and paying lawyers a lot of money," says one

Under the auspices of the London Investment Bankers Association, a working group is now working positively towards a market standard. which will essentially be an amendment to the standard PSA/ISMA master agreement used for fixed income repo. The industry wants to avoid making the mistakes that occurred with securities lending, and the enthusiasm evident among the principal parties involved ancing takes four forms, repo makes a quick move to indusitself, buy/sell-back, equity-try-standard documentation swap and the zero-strike more likely. This can only help and development.

PROFILE:

NatWest Markets

Trying to be a little different

In the right hands, it seems, repo is no longer just about the lowest cost; it is maturing and becoming more sophisticated. Traditional repo is essentially a high volume, low margin commodity product, identical from bank to bank and selling purely on price. This can make it extremely difficult for an institution to offer a product which is different from the rest of the pack. NatWest Markets believes it can do just that with an approach that will belp !t stablish a leading position in

gilt and other repo markets. Repo means different things to different companies, says Danny Corrigan, head of repo at NatWest Markets. "We believe the use of the product is more important than the product itself. Repo is an essential part of our integrated treasury and capital markets activities, not necessarily a stand-alone business in its own right."

NatWest has been trading reno in a number of currencies. since 1990 and, while repo does not lend itself as readily as some other financial markets to league tables and rankings, regards itself as a leading operator in the field in the UK. NatWest might not be the biggest marketmaker in repo but it aims to be one of the most effective, especially in gilts where being a top six gilt-edged marketmaker should be a significant asset

in maximising returns. The NatWest repo desk in London has been built up over the nast few months in preparation for the introduction of gilt repo, and now boasts six on the market-making side

and two on proprietary trading, plus support staff. Like most repo desks, the mixture is one of home-grown staff and talent recruited from elsewhere to plug specific gaps.

Una van Dorssen, Stuart Neie and Ian Lincoln have all arrived over the past few months, from SG Warburg, Swiss Bank Corp and TSB respectively, to join Danny

Danny Corrigan: a long-time

Corrigan, a long-time advocate of gilt repo. The desk is structured in two parts, one responsible for servicing customers and financing the company's own gilt-edged market-making position, the other for proprietary activities.

NatWest not only provides clients with up-to-the-minute information on events, trends and developments in the market, it also aims to educate clients about repo and provide

The last quarter of 1995 could prove in the long term to be almost as important as the first quarter of 1996 for repo operations at NatWest

Markets. It was then that as part of its ambitions to be a top 10 global investment bank, the company brought under common management the debt securities business transacted in NatWest Capital Markets

with the Treasury business. "Two markets are moving closer together - bond markets and money markets," says Brian Larkman, the head of UK money markets at Nat-

"This merger has essentially cleared reporting lines to enable those businesses to relate very openly and naturally to each other, it reflects the integration of the markets themselves and the needs of the customer base."

"Repo bridges the gap between bond markets and money markets, and is a strong integrating influence, says Mr Larkman.

"It is appropriate that it should be situated in a way that services the bond business and relates directly to the existing money businesses; we can do that more easily having changed our structure. The merger will have quite profound benefits for the longer term potential of the busi-

"We find there is a lot in common with other money market products," says Mr Corrigan. "Each repo trade can either be cash-driven or bond-driven. As the barriers

down, repo will settle either money market operations or towards bond operations, depending on the institution." Traders at other companies will welcome clari-

fication NatWest's involvement in the run-up to the introduction

of gilt repo puts it in a good

Brian Larkman: bond and money

position to fulfil an ongoing

educational role in that mar-

ket, covering repo itself, and

its accounting, legal, credit,

settlement, trading or risk

As one of the chief propo-

nents of gilt repo, and as a

member of every Bank of

England working party on the

topic. NatWest built up an

in-depth knowledge of the

The ability to field in-house

product and the market.

implications.

factor - if only because it helps makes assembling teams of experts affordable - there is more to it than simply being very big. Agility, flexibility, responsiveness and systems

"We've developed our own in-house system to support and extend our capabilities in bonds and repo." says Mr Larkman, "The demands of dealers for management information are always growing. and one of the strengths in the system is it can be adapted and extended effectively to cater for these growing demands."

in, and arranger of, confer-

pany has even produced a text

book on gilt repo and is satis-

fied with both the early prog-

ress since the market was

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While size is an undoubted

future development.

NatWest does not envisage much of a delay in pressing ahead with the expansion of its repo coverage. "Merging repo with money markets will enable the existing money markets business to participate more fully in the repo product in those currencies in which we already have a substantial presence in the interbank market," concludes Mr Larkman. "We have to complete this merger as a first step to make sure we are extracting maximum value from our gilt repo operations; we will be ready to broaden the currency range later in the

Brian Bollen

"London braces revolution."

Financial Times, 3 January 1996

SBC Warburg welcomes institutional and corporate revolutionaries to the new open gilt repo market.

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More essential than ever

PROFILE: MC. C. ANG. OF UES

"Don't look at what a repo desk gives you; look at whatthe lack of a repo desk denies you." This is maybe not quite US presidential rhetoric, but the point, as made by Mick Chadwick, the evangelical senior repo trader at Union Bank of Switzerland, is clear. Repo not only lives, it is possibly more essential than

Repo and other sophisticated financial instruments might have been expected to suffer from the series of high-profile financial disasters and scandals over the past few years - from Maxwell to Daiwa via Barings and Orange County – but, argues Mr Chadwick, "when the fundamental product is sound, markets bounce back better than ever."

Repo has been unfairly blamed in a number of cases Repo was not the problem; it was the use to which it was put. One of the benefits of doing repo in Europe today is that we can draw on years of experience in the US.

"Repo is important as a product in its own right, but just as significant is its importance for a wider variety of trading structures. You couldn't have an options business without a repo desk; you couldn't have proprietary trading without a repo desk; you couldn't provide derivatives or undertake any form of relative value trading without a repo desk."

There is at least one other significant benefit of repo trading. Fund managers who keep their lending and financing operations at arm's length will find their market intelligence is inevitably diluted. It seems that the closer the repo business is to the bond business, the better

for everybody. Mr Chadwick identifies three important variables that determine repo rates when repo is used as a money market instrument (otherwise known as the

general collateral market). First, the counterparty risk; second, collateral; and, third. (often overlooked) the mechanics of delivery. Each of these has a simple key. In the first, it is "know your

"liquidity is more important than creditworthmess". In the third, "possession is nine-tenths of the law".

phrase which he repeats as something of a mantra.



Mick Chadwick: "rules one, two and three are know your customer

"Rules one, two and three: know your customer." This drives home the message that even though the fully collateralised structure of repos enables lenders to do business with a wider range of counterparties, it does not remove the need for good old-fashioned credit assessment. Very traditional bankers and modern repo traders do have something in

common after all. That repo can enable lenders and borrowers to carry on doing business with one another in otherwise impossible circumstances was amply demonstrated in the wake of the Mexican peso crisis. Normal, unsecured commercial lending to certain parties was out; repo was

certainly in. Opportunities and dangers go hand in hand in the repo market, says Mr Chadwick. Growth in emerging markets business and the increasing use of derivatives - if not properly understood, monitored and controlled -

provide two examples. The emergence of more intelligent and creative people, with new toys to play with, is another, and reinforces the need for effective monitoring and control procedures.

The repo market is today

moving on to a much more

argues, with the qualities required of repo staff changing as the product moves out of the back office. Settlement, which ultimately drives the repo transaction. requires a certain set of skills. But the narrowing of margins and increasing technicality of the business demand that today's successful repoists be masters of several trades. "You have to know about money markets, about settlement, shout honds, derivatives. credit and the law," he says. Not to mention being able to envisage the broader canvas. The nostalgia for the

market's good old days - all of five or six years ago - is UBS, which functions as a borrower, lender and intermediary in the market.

will be focusing closely on two important growth areas for repo in the near future. The first is gilts, reflecting the bank's status as a gilt-edged market maker and as an active participant in all the sterling markets.

The second is emerging markets, where the last surviving significant expansion and wider margins are to be found. "You can no longer make a

living out of the bid-offer spread in the major G7 government bond markets." says Mr Chadwick. "Conceptually it's possible to repo any security, and the US and European markets are so efficient that anomalies have been arbitraged out." So far, the search for a higher payback has mostly taken UBS into repoing Brady bonds for Latin American names. It is also starting to do business in eastern

South-East Asia. Mr Chadwick concludes with another mantra: RTLC, or remember tender loving care. R is for regulatory, T is for tax, L is for legal, C is for

Europe, Russia and

"Do proper due diligence in these areas, and repo is intrinsically one of the safest vehicles around."

Brian Bollen

Tri-party repo: by Brian Bollen

Europe takes to tri-party The haves and the have-nots

The advantages are a lower cost of funding, ease of collateral movement and

reduced administration International tri-party repo is becoming fashionable in Europe. Average daily outstandings, estimated at \$20bn to \$25bn, are forecast to continue growing to \$35bn-\$50bn by the end of the year. This is still low compared with other forms of repo, but the prospects for further, exponential growth are seen as brighter than might have been the case

just six months ago.
The Bank of New York in London - one of the three leading multicurrency tri-party custodians along with Cedel and Euroclear - says it has seen its volume of outstandings more than double in the past year. "There is a greater understanding of repo and what it can do for you." says Chip Davy, vice-president and product manager for repo services at Bank of New York. "Business with existing customers has risen, and large multinational corporations are coming in as investors of cash. They bring to the relationship a range of currencies, and are attracted by the combination of a collateralised investment and the higher return."

The market has had its share of false starts since the first publicised tri-party repoarrangement was put in place, between Swiss Bank Corp and the EBRD," says Saheed Awan, manager, repo products, at Cedel Bank in London. "The agreement - signed in September 1992 with Cedel Bank as custodian - was greeted with a great deal of enthusiasm by the broker-dealer community. They saw tri-party repo as a new way to bring extra and fresh sources of cash into the markets."

After a promising start, triparty repo suffered along with the rest of the fixed income markets throughout 1994; staff charged with its marketing have found the teething problems frustrating because they regard the product as virtually

Tri-party repo is an agree-

and a third-party clearing house or custodian bank. The third-party clearing house or custodian bank agrees to assume the administrative pressures involved in repo. This includes handling all operational tasks, including marking to market, ensuring that collateral meets eligibility criteria and safeguarding the securities in a segregated account. Custodians also handle the movement of securities and cash between counter-

From the investor point of

view, tri-party repo is claimed to be the easiest and safest way for clients requiring delivery of collateral to enter the repo or the secured pledge markets. Advantages to the cash investor include incremental income and an increase in returns coupled with a reduction in risks and costs. Documentation is written to protect fully the cash investor's right to the collateral in the event of counterparty insolvency. In addition to commercial banks, the main cash investors include central banks looking for a secure and liquid money market alternative, and a growing number of corporates seeking liquidity and

For dealer-brokers, the advantages include a lower cost of funding, ease of collateral movement and reduced administration. "Given the size of our balance sheet, tri-party repo is a necessity," says Lou-McCrimlisk, European product manager for finance products at Salomon Brothers, one of the biggest users globally of tri-party repo products. "Operational support is worth its weight in gold."

Although iri-party repo is not a panacea - credit risk, collateral risk, market risk and operational risk will grow as the universe of counterparties and securities deemed eligible expands and diversifies - it is obviously safer than hold-incustody repo. Tri-party is thus beginning

to achieve the recognition its advocates feel it deserves. "Triparty repo has won over the constituency it was aimed at," says Peter D'Amario, head of repo marketing at BZW. "Once you explain it to corporate mont between a bank, a client treasurers, they understand



Saheed Awan: a new way to bring

the added value. It gives them the simplicity of bank deposits plus collateral and a yield pick-up with no more work other than setting up the agreement."

The only apparent losers are commercial banks who are missing out on cheaper cash deposits and more remunerative unsecured inter-bank lending, but what they lose on these swings they gain on the roundabouts. As principal cash investors, commercial banks themselves benefit from triparty repo's greater security and ease of use.

If anything, tri-party repo's promise of greater security and a higher return can at times seem too good to be true, but

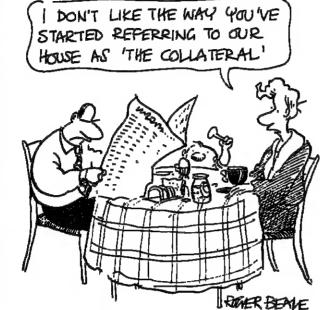
standard repo product has paved the way for the important international breakthrough which looks to have been made, and the two are linked in a virtuous circle. The growth of tri-party repo will be linked to the growth of repo, and the growth of repo will be helped by tri-party. says Ms Christine Kamil, vice-president in collateral management services at Euroclear, who reports current outstandings of around \$15bn. Tri-party repo is an elegant solution to the complexities of efficient collateral management: it combines the safe-

in-custody repo." The renewed enthusiasm for the tri-party product forms part of a growing trend in banking towards collateralised relationships, after Barings

guards of delivery repo with

the ease and flexibility of hold-

and Orange County. The publicity surrounding the opening of the gilt repo market has provided further impetus: the broader interpretation is that the Bank of England has effectively given its blessing to repo in all its forms as a concept. Technical changes including the approval of the international clearing of gilts from March 4 can only



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■ The market for repos: by Antonia Sharpe

The demarcation between the two camps is expected to disappear gradually

Broadly speaking, the big operators in Europe's fastgrowing repo markets are divided into two camps: the haves and the have-nots.

The baves are the big banks which set their excess liquidity to work in the repo markets through "reverse repos" - that is, they lend their cash and receive bonds in return as col-

The biggest operators in this camp are Europe's big universal banks, notably the triple-A rated Deutsche Bank and Union Bank of Switzerland with their huge depositor bases. They are being joined by the big UK clearing banks now that repo is allowed in the UK government bond (gilts) mar-

European and Scandinavian central banks are also large providers of liquidity to the repo market, which they use to increase the return on their foreign exchange reserves.

Bankers marketing repo to institutional investors and corporate treasurers as an alternative to the money markets are delighted that central banks are so active in repo. "The fact that so many central banks engage in repo has given the market respectability and that is a great selling point," says

The have nots are the investment banks which need the repo market to finance their trading positions in the bond

They do this by either rais-

ing cash using their bond inventory as collateral to fund their long positions or by borrowing stock to cover their short positions. According to market estimates, funding long positions accounts for 70 per cent of repo transactions while the remainder is to cover shorts.

Since repo began in the US in the mid-1980s, the big US investment banks had a head start when repo started in Europe. Although individual markets have their local characteristics, the methodology is based on US practice. As a result, Goldman Sachs, Salomon Brothers, CS First Boston, Lehman Brothers, Merrill Lynch and Morgan Stanley are

Also in the "have-nots" camp, are the so-called "leveraged customers", more commonly known as hedge funds. They typically repo out their bond inventory as many as 100 times to get maximum exposure to the bond markets.

all active operators.

In 1993, when bond markets around the world were rallying, hedge funds were big users of the repo market to fund their long positions. Since 1994, when the sudden fall in bond markets caught them out,

they have been less active. Then there are the specialist brokers which have carved out a niche for themselves between the two camps. Since they trade as principal, they provide much-needed anonymity to borrowers and lenders in the repo market. "If you want to repo a sensi-

tive position, such as funding a long position or covering a short position, then you don't want the whole market to

gave the green light to gilt repos, many believed that the big banks would squeeze out the Stock Exchange Money Brokers (SEMBs), the traditional lenders of stock to the gilts market

For those without critical mass, such an end is probably inevitable. However, some are seeking expertise in other markets to make up for the greater competition in the gilts mar-Also, since they can have

long-standing relationships with institutions which lend out stock, they have one advantage over the new entrants - they know where to go for "special issues." that is when the market goes short of a certain stock.

A less obvious, but vital participant in the repo market is Euroclear, the Brussels-based bond clearance system. Repo operators have an account with Euroclear so that their repo transactions can be settled automatically. Of Euroclear's total turnover of \$25,000bn in 1995, settlement of repo transactions accounted for one-third.

Euroclear also offers a fullyautomated service for tri-party repo, that is when the dealer and the cash lender enter into a repo and use a third party to monitor the trade. Last year, Euroclear's average daily turnover of tri-party repo was about \$10bn a day, though it rose to an average of \$14bn in

One large but as yet untapped group of participants in the European repo markets is Europe's corporate treasurers.

They have traditionally deposited their excess cash with their bankers or in the in a market where cash is king

In the US, corporate treasurers are more pro-active than their European counterparts when it comes to cash manage-ment, perhaps spurred on by the fall in confidence in the US banking system. They have

become regular users of repo in recent years. While confidence in Europe's hanking system is firm, recent events such as the collapse of BCCI and Barings have shaken that confidence.

Repo operators believe that corporate treasurers will seek alternative markets to place their cash.

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"As liquidity improves in the repo market and treasurers become more aware, then more cash will go into repo than in the money markets," predicts one dealer

The UK clearers must believe that such a prediction is likely to come true. BZW and NatWest, which between them control the rates in the UK money markets, have both set up repo desks ahead of gilt repo so that they do not lose their existing investor base for unsecured deposits.

However, according to mar-ket estimates the more efficient foreign banks have amassed a greater share than their UK competitors in the gilt repo market since it began in January. Deutsche Bank is believed to conduct about onequarter of gilt repo transac-

In the long run, the demarca-tion between the two camps in the repo market is expected to disappear gradually. For now. the European banks seem to be in a stronger position than their US counterparts because they have the excess liquidity

■ Money markets: by Philip Gawith

Gilt repo may hasten change market and institutions with

Observers believe the Bank should move towards using a more successful intervention instrument

The introduction of a gilt repo market has been accompanied by a deluge of publicity, most of it about stock lending. But repo bridges the gap between bond and money markets, and it may be that the more enduring legacy of the gilt repo proves to be its evolution into the Bank of England's daily

the sterling money market. This has long been one of the more obscure provinces of the City, effectively out of bounds to most foreign companies, but the advent of the gilt repo market could well change this.

In recent years, three aspects of the sterling money market have attracted frequent comment. First, UK short rates have often been much more volatile than in other leading markets. Second, and related, the Bank of England has had far fewer counterparties through which to implement its monetary policy than is the case in other markets. In particular, two clearing banks, NatWest and Barclays, have held most of the eligible bills of exchange, and this has given them considerable influence in determining short-dated cash

Third, the Bank of England's money market operations stood out from those of the US Federal Reserve, Bundesbank and Banque de France which were conducted less frequently, utilised only repur-chase transactions, and were spread over a wide range of financial institutions.

Many observers believe that the Bank of England should move towards using the repo on the grounds that it is a more successful intervention instrument. But there is a further reason, too; it is most likely to be the modus operandi of a future single European central bank, and the UK will want, as far as possible, to harmonise its practices with Europe. Discussing the inter-vention policies of the future European central bank, Hans Tietmeyer, the Bundesbank president, said last week that "a leading role will be played by open-market policy in the form of repo operations. It combines market proximity with flexibility of use"

The Bank of England has so far been non-committal about its intentions. When the mar ket opened, it said that "it did not have plans to change the form of its money market operations", but that the development of gilt repo trading could make it sensible to contemplate change later". This approach is to be expec-

ted, as the Bank wants the market to take the lead, not the other way round. Put dif-ferently, if the gilt repo market becomes very liquid, then it would make sense for the Bank to use repo as a means of inter-

vention. But the Bank of money market activities, the England does not want to preordain this outcome - which is what would happen if it declared itself in favour of repo, because liquidity would then inevitably switch to this

Market participants believe it is a question of when, not if, the switch towards repo is made. One market participant believes the Bank will start to take informal soundings on the question as early as the end of the second quarter. At the moment the Bank is keeping in close contact with traders how the market is behaving.

It is also requiring repo participants to provide fairly detailed reports of the business they are doing, under such headings as outstandings, volume, counterparties, and classic repo vs buy/sell-back.

From the perspective of Paul Tucker, the man responsible for the Bank of England's intermediaries from the gilt

repo market's development is likely to be assessed as "promising, but could still do better". Liquidity is the key issue, and this embraces such various benchmarks as the volume of repo traded, the number of counterparties and the tightness of the spreads.

On many of these counts progress has been quite good. In terms of volume, the gilt repo market is estimated to have grown to around £30bn-40bn outstandings. Although this is small compared to the volume of total gilt issues outthe size of the end-of-day liquidity available in the cash market.

The number of counterparties remains fairly limited. with anecdotal evidence suggesting the market is still dominated by around 20-25 institutions - mostly the gilt-edged market-makers (Gemms), other

prior experience of the international repo market. US investas particularly active participants, especially in pursuit of cheaper funding. Bid-offer spreads, however.

of around five basis points, are quite tight, and the market is quite actively traded. But by some other frames of

reference, the market shows its youth. It is not yet, for example, being used by corporates with surplus cash available in preference to the deposit mar-

yet to become the market in which people choose to express their interest rate expectations.

"The majority of interest rate views will still be taken in the cash market," says one. The repo rate is still a "passive" rate, priced off other rates in the cash market, rather than a primary objective of attention itself.

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